The NATIONAL UNDERWRITER

g 368
N214n

50th Anniversary

The Home, through its agents and brokers,
is America's leading insurance protector of American Homes
and the Homes of American Industry

☆ **THE HOME** ☆
Insurance Company
NEW YORK

FIRE • AUTOMOBILE • MARINE INSURANCE

50/50

Back in 1897, the year the Yukon GOLD rush commenced, both the "National Underwriter" and The Mercantile Insurance Company of America were starting up the long trail to their Golden Anniversaries.

Congratulations!

NATIONAL UNDERWRITER

on your Fiftieth Anniversary symbolizing a half century of service to and leadership in the Insurance industry. This fellow 1897'er extends all good wishes for at least another fifty years of continued success and leadership.

"The Mercantile," likewise, looks forward with confidence to the future—secure in the loyalty and support of its agents, without whom there could be no real progress.

THE MERCANTILE INSURANCE COMPANY
OF AMERICA

NEWHOUSE

& UNDERWRITING MANAGERS

SAYRE, Inc.

ALL RISKS—INLAND MARINE
and AVIATION INSURANCE

●

116 JOHN STREET NEW YORK 7, N. Y.

740 Ledger Bldg.
PHILADELPHIA 6

Pierce Bldg.
ST. LOUIS 2

135 South La Salle St.
CHICAGO 3

333 Montgomery St.
SAN FRANCISCO 4

Buhl Bldg.
DETROIT 26

689 South Spring St.
LOS ANGELES 14

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50th

CONGRATULATIONS
NATIONAL UNDERWRITER

1897 1947

We salute you on this your 50th Anniversary. Dedicated to the commendable purpose of informing and edifying insurance men and women, you have contributed much to the success of the industry during the past fifty years.

Your record is a tribute to your diligence and perseverance . . . it gives you just cause to be proud of your past and—more important still—augurs well for your future.

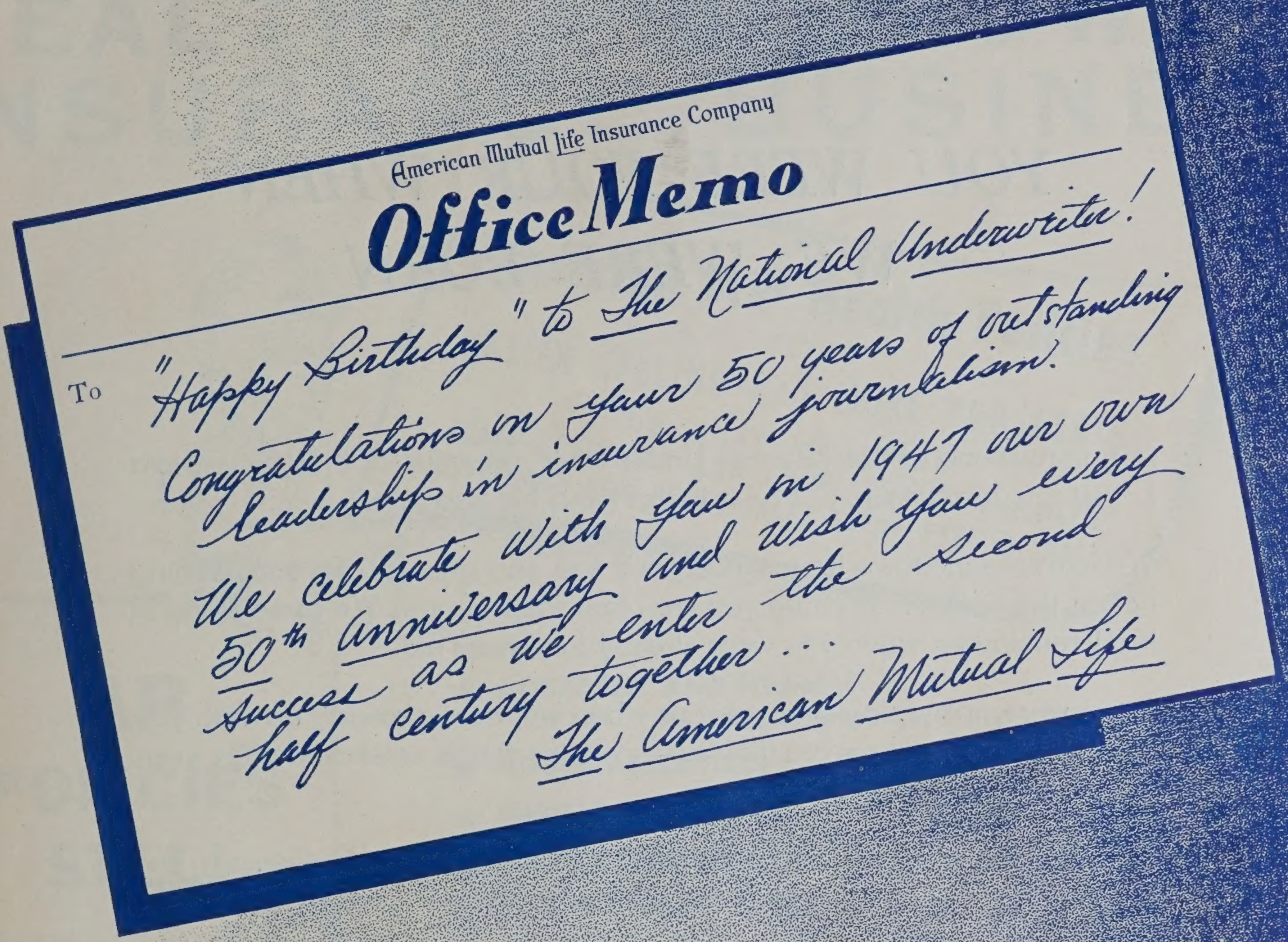
On this important occasion, we congratulate you and extend our sincere wishes for continued success and prosperity.

Capital Stock Company Insurance
Standard protection

FIREMAN'S FUND GROUP

Fireman's Fund Insurance Company
Fireman's Fund Indemnity Company
Home Fire & Marine Insurance Company
Western National Insurance Company
Western National Indemnity Company

HEAD OFFICE • SAN FRANCISCO
NEW YORK • CHICAGO • BOSTON • ATLANTA • LOS ANGELES



American Mutual Life Insurance Company

Office Memo

To "Happy Birthday" to The National Underwriter!

Congratulations on your 50 years of outstanding leadership in insurance journalism.

We celebrate with you in 1947 our own 50th anniversary and wish you every success as we enter the second half century together...

The American Mutual Life

50th Anniversary YEAR

American Mutual Life Insurance Company

Des Moines, Iowa

YOU WERE FOUR WHEN WE WERE BORN

Congratulations to the National Underwriter on your 50th Birthday, and to that fine gentleman, C. M. Cartwright and his associates.

We can't reach down from a hoary old age and give you an encouraging pat on the back, . . . because you are older than we are. We came along in 1900, remember, when you were already four years old.

There were many pleasant occasions when we were growing up with you and the whole business of Life Insurance joins you in celebrating fifty years of real service in your field.

In four more years, we will celebrate our Golden Jubilee Anniversary, and if the records keep going like they are now, we will have plenty to celebrate. We will want you to help us.

The
NATIONAL LIFE AND ACCIDENT
Insurance Company, Inc.

THE NATIONAL LIFE AND ACCIDENT INSURANCE COMPANY INCORPORATED SHIELDS YOU

HOME OFFICE NATIONAL BLDG.
NASHVILLE TENNESSEE

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PRESCRIPTION FOR A HEALTHY and GROWING INSURANCE BUSINESS

Prescribe AP Health Policies
FOR
EASIER SELLING and MORE PROSPECTS
because we offer
MORE DESIRABLE AND COMPLETE "FIT-THE-NEED" COVERAGE FOR PRACTICALLY EVERY TYPE OF RISK!

AP POLICIES SELL!

Our "Fit-The-Need" Policies provide liberal benefits, both IN and OUT of hospital . . . offering the widest possible appeal. AP's excellent rates create an unlimited number of prospects for you . . . and keep them sold!

- ★ **ACCIDENT AND HEALTH**
  Including Lifetime Coverage
- ★ **HOSPITALIZATION**
- ★ **SURGICAL EXPENSE**
- ★ **MEDICAL EXPENSE**
- ★ **PRIVATE NURSE EXPENSE**
- ★ **MATERNITY**
- ★ **BLANKET COVERAGE**

Hospitalization, Home or Hospital Medical Nurse Service Expense, and Miscellaneous Benefits.

EXCLUSIVE! BLANKET LUMP SUM EXCESS EXPENSE INDEMNITY RIDER

EXTENDED BLANKET COVERAGE! When attached to any Allocated or Specified Indemnity Hospital or Medical Expense Policy, this rider converts such policy to BLANKET COVERAGE, and will pay the full amount of Expense or Loss, for whatever Hospital, Medical or other coverages the policy provides, up to the combined Policy and Rider limits of Indemnity purchased.

UNUSUAL
AGENCY OPPORTUNITY
LIBERAL COMMISSIONS
BROKERAGE DEPARTMENT

Policies for the Most Humble Worker Right Up to the Top executive.
For Men, Women and Children from 1 Mo. to 70 Years, Individuals, Families, Franchise or Groups.

AMERICAN PROGRESSIVE
HEALTH INSURANCE COMPANY OF NEW YORK

92 LIBERTY STREET • NEW YORK 6, N. Y. • COurtlandt 7-6895

A GOLDEN GREETING

on a job Well Done!

William and Wall Sts., in 1866, New York's insurance center

To THE NATIONAL UNDERWRITER we extend our heartiest and sincere congratulations on this, your Fiftieth Birthday.

Vision and fairness has been your beacon. Your influence for a cause that was right has many times swayed the battle.

We of the Pearl Group congratulate you who comprise The National Underwriter and wish you continued progress.

PEARL AMERICAN

PEARL ASSURANCE CO., LTD.
EUREKA-SECURITY FIRE & MARINE INSURANCE CO.
MONARCH FIRE INSURANCE CO.

19 Rector Street, New York City 6

AUTOMOBILE — INLAND MARINE — FIRE & ALLIED LINES

THIS IS MORE THAN A GOLDEN ANNIVERSARY . . .

IT IS A

Golden Opportunity

Looking back over the last fifty years . . . a half century in which The National Underwriter has nobly served its cause . . . the insurance business has grown to tremendous heights.

Yet we can't stop here. The job ahead is one of even greater proportions.

This is no idle thought.

More than ever, our business will be "charged with a public interest." More sharply, the public's eye will be focused on everything we do. More carefully, our value will be measured by how we serve *as people doing business with people.*

This is a challenge that all free enterprise must face today and tomorrow . . . a challenge of even greater significance to us, in our business, because of our "charge" by law.

Let us accept this challenge as an opportunity . . . a *golden opportunity.* It is our greatest chance . . . perhaps, our final chance . . . to serve people, to help people so that they may enjoy *"freedom from worry over financial loss."* It is the greatest opportunity for everyone connected with our business . . . companies, employees, agents and press . . . to do a better job, so that we can prove our worth . . . not in terms of huge financial assets . . . but rather in common terms of honest service, so readily understood and approved by people.

THE EMPLOYERS' GROUP

SURETYSHIP INSURANCE

Fidelity, Surety — Fire, Inland Marine, Casualty, and Aircraft
THE EMPLOYERS' LIABILITY ASSURANCE CORP., LTD.
THE EMPLOYERS' FIRE INSURANCE CO.
AMERICAN EMPLOYERS' INSURANCE CO.
ONE LIBERTY SQUARE, BOSTON 7, MASS.

It Pays to be The Man with The Plan

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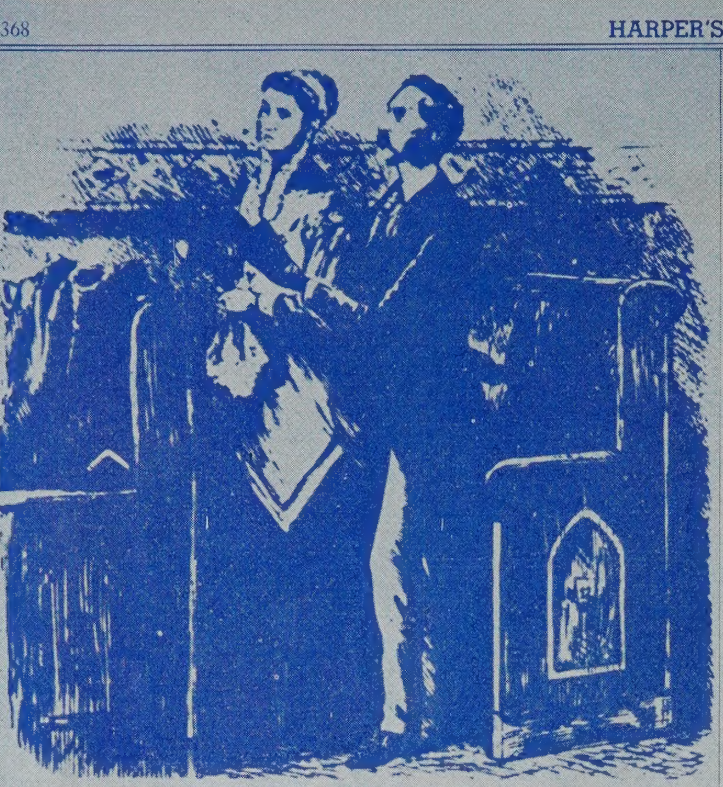
368 HARPER'S WEEKLY. [JUNE 6, 1868.



RESPONSES AND REFLECTIONS

LADY. *Responding*, "From pride, vain glory, and hypocrisy, Good Lord deliver us." —*Reflecting*, (What odd bonnets Mrs. MARYGOLD will wear!)

GENT. *Responding*, "From all deceits of the world, the flesh, and the devil, Good Lord deliver us."—*Reflecting*, (I wonder how GRANT's nomination will affect Gold.)

TRY THE PATENT LAUNDRY BLUEING BAG. A perfectly pure soluble Indigo Blue. Superior to all others in economy and convenience. Each Bag in a neat box. Prices 10 and 20 cts. Sold by all Grocers, and by *Plymouth Color Co.* (C. T. Reynolds & Co.,) 106 & 108 Fulton St., New York.

ASK FOR A

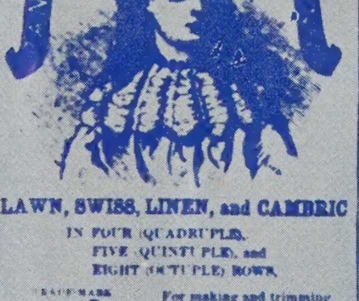
WALTHAM WATCH.

It is the Best. It is the Cheapest.
T. B. BYNNER, No. 189 Broadway, New York.

AGENTS WANTED.

Presidential Campaign Chart

Now ready, giving large, clear, and striking likenesses of the Republican Candidates for President and Vice-President. Party Platform in full. The whole is surmounted by the American Eagle and Flag, and beautifully colored. This affords the best chance for Agents to make money for the year 1868. Send for Catalogue giving full particulars of my Maps and Charts.
Address GAYLORD WATSON,
No. 16 Beekman St., New York.



LAWN, SWISS, LINEN, and CAMBRIC

IN FOUR (QUADRUPLE),
FIVE (QUINTUPLE), and
EIGHT (OCTUPLE) ROWS,

TRADE MARK PATENT

For making and trimming

Ladies' and Children's Wear.

WARRANTED TO WASH
and retain its original
BEAUTY AND FULLNESS.

For Sale by the Fancy and Dry Goods Houses throughout the country.

(LOCKE'S PATENTS.)

SELF-LIGHTING GAS BURNER

TURN THE KEY, AND THE GAS IS LIGHTED.
Applied to any Gas Fixtures without alteration.

NO ELECTRICITY.
NO FRICTION.
NO MATCHES.

Price $1 each. Sample sent by mail on receipt of $1.
Liberal discount to the trade.
New York and Brooklyn Agency,
F. S. SANDERSON, Manager,
No. 641 Broadway, opp. Bond St., N. Y. City.

WHEATON'S OINTMENT will cure the Itch.
WHEATON'S OINTMENT will cure Salt Rheum.
WHEATON'S OINTMENT cures Old Sores. [Skin.
WHEATON'S OINTMENT cures all Diseases of the
Price 50 cts.—by mail 60 cts. All Druggists sell it.
WEEKS & POTTER, Boston, Proprietors.

Sir Robert [illegible]'s Celebrated English Life Bitters, cures Dyspepsia and preserves the general health.

Extract from fashion article, Harper's Bazar, May 9: "*The fire does the work of the laundress without necessitating any manual labor,*" etc.

THE AUTOMATIC

CLOTHES WASHER AND BOILER

Does the work in 20 minutes, *without labor*. Fits any stove or range. Warranted to do the work. No. 8, Medium Size, $10 00. Sent, C.O.D. Send stamp for Circular.

State and County Rights for sale, except Conn., N. J., Pa., Del., Md., New York City and Vicinity. Agents wanted for this territory. Address GENERAL AGENT AUTOMATIC CLOTHES WASHER AND BOILER Co., No. 19 Courtlandt Street, New York.

STEREOPTICONS, MAGIC LANTERNS, and Dissolving View Apparatus, with the improved Calcium Light, and several thousand artistically-colored Photographic Views on Glass, illustrating Art, Science, History, Travels, &c., &c. Priced and illustrated Catalogue free on application. T. H. McALLISTER, Optician, No. 49 Nassau Street, New York.

GRANT MEDALS and PINS.

AGENTS WANTED to sell our celebrated GRANT Medals and Pins. Send 25 Cents for sample of our new Pin, the handsomest in the market. Samples of 6 different styles sent for $1 00. Sample of new SONG BOOK for 25 Cents. Send for Circular to
RICE & CO., 152 Washington St., Boston, Mass.

THE POPULAR LIBRARY EDITION OF

DICKENS'S WORKS.

A splendid work for Canvassers. Agents wanted in every town in the country. A great chance for active men and women to make money. Address
D. APPLETON & CO., Publishers, New York.

TARRANT'S
EFFERVESCENT
SELTZER APERIENT

News comes from Prussia that most astounding cures of diseases of the kidneys have lately occurred at the Seltzer Spring. Bear in mind that TARRANT'S EFFERVESCENT SELTZER APERIENT contains in due proportion every ingredient of that famous mineral water, and is warranted by the highest scientific authority to produce the same effects. Sold by all Druggists.

PRANG'S AMERICAN CHROMOS for sale at all respectable Art Stores. Catalogues mailed free by L. PRANG & CO., Boston.

WOODWARD'S Country Homes.

150 Designs, $1 50, postpaid.
GEO. E. WOODWARD, Architect,
191 Broadway, New York.
Send stamp for catalogue of all new books on Architecture.

Agents Wanted.

FOUNTAIN PEN. Non-corrosive; Durable; Warranted. Writes three pages with one dipping. Sells quick. $10 a day. Sample Box, 12 Pens, for 35 cents, or 12 Boxes for $2. Address MORSE FOUNTAIN PEN CO., 413 Chestnut St., Philadelphia, Pa.

Musical Boxes

Playing from 1 to 24 tunes, costing from $6 00 to $2000 00. Every variety of the newest accompaniments: Voix Celestes (Celestial Voices), Organocleides, Mandolines, Expressives, Piccolos, Bells, Drums, Castinets, &c., &c. Musical Boxes are very durable.

They are fine ornaments for the Parlor, as well as pleasant companions for the invalid. Having given our special attention to that trade for over 15 years, we are able to supply every want quicker and better than any house in this country.
M. J. PAILLARD & CO., Importers, No. 21 Maiden Lane (up stairs), New York. Musical Boxes repaired.

Steel Collars, enameled white, mailed on receipt of $1. Elliot & Foggan, Mfrs., 79 Nassau St., N. Y.

NORTHWESTERN

MUTUAL LIFE INSURANCE COMPANY.

CENTRAL OFFICE, 416 MAIN STREET, MILWAUKEE, WISCONSIN.

Cash Assets	$3,500,000
Membership	22,000
Policies issued, 1867	10,000
Risks covered by new Policies in 1867	20,250,000

THIS VIGOROUS COMPANY now ranks among the twenty-five New York Companies *third* in number of Numbers, *fifth* in amount of Assets.

IT IS A PURELY MUTUAL COMPANY;

That is, an Association of Policy-holders managed by men selected by themselves, from themselves, for themselves. Thus all officers and members are alike interested. Each member is a *full partner in the whole business, with liability limited to the amount actually invested.*

It thus adapts its plans to the benefit of its members, adopts all real improvements, and aims to be

A MODEL LIFE INSURANCE COMPANY.

It was one of the first to adopt the popular feature known in Insurance circles as the NON-FORFEITING PLAN, and now *applies it to all the Policies it issues.*

IT IS THE ONLY COMPANY that adopts the full benefit of the Note system without doing a credit business or destroying the cash principal, and also gives the Note privilege to the poor man, who needs it most, and takes a small Policy.

IT IS THE ONLY COMPANY which gives proportionate amount of full-paid Insurance after two annual premiums (if other premiums are not paid), on ordinary Life and Endowment Policies.

IT WILL LOAN A MEMBER a sum equivalent to the surrender value of his Policy, and thus often helps a member in extremity to keep his Policy in force. Policy-holders permitted to travel any where in the United States and Europe, but risks in the far South not sought.

WHY SHOULD MEN INSURE IN A WESTERN COMPANY?

WITH MORE REASON IT MIGHT BE ASKED: WHY SHOULD THEY INSURE ELSEWHERE?

Not for greater security, certainly; for it will not be denied that money can be safely invested at the West, where property is rapidly enhancing in value, as elsewhere. Nor will it be claimed that as honest, capable, and efficient managers can not be found here.

Not for greater cheapness; for the premiums are the same, or lower than the average of companies at the East, while the more rapid accumulations at the West on equally safe investments, together with the acknowledged low rate of mortality, promise as large or larger dividends.

But there are positive and weighty reasons, prompting to the patronage of THIS Company.

1. The rapid accumulation at the West. This money is kept at the West, where it is in greater demand, and where it will secure better interest and more constant investment, with equally good security, for people can afford to pay more for it than in the older States.

The advantages of such investment to the Company (which means all the insured), appear in the following startling figures:

ONE THOUSAND DOLLARS LOANED FOR FIFTY YEARS.

At 6 per cent, compound interest, produces	$18,420.15
At 8 per cent, compound interest, produces	46,901.61
At 10 per cent, compound interest, produces	$117,390.85

2. Its risks are chiefly in the healthiest portion of the country, and its rate of mortality consequently low.

3. It is the *oldest* and largest Life Insurance Company west of the sea-board, and its managers are among the best men in the Northwest (than whom there are no better any where), whose well-known character and ability are the best guarantee of good management.

4. All its profits are *equitably* divided among its policy-holders.

5. It combines the advantages of both the cash and note system.

6. It makes the payment of premiums easy and equitable by loaning, to the *small insurer as well as the larger*, just so much of the premium as is secured by the "Value of the policy" itself, and no more, thus really confining its business to the cash plan.

7. A Member who has paid his premium in cash for a number of years, may, if circumstances require it, pay subsequent premiums wholly in notes until the amount of the notes equals the "value of the policy," or may at any time borrow of the Company the "surrender value of his policy," and thus frequently save his policy from lapsing, or help himself over some temporary difficulty.

8. The premiums on ten-year policies are lower than those of any other Company having the same plan.

9. The *first* payment secures its proportionate share of a ten-year policy.

10. Its dividends, made annually, commencing three years from the date of the policy, are not arbitrarily fixed, but are mathematically calculated with great care, so as to give to each member the *equitable* portion of the surplus.

11. The reversionary insurance purchased by the dividends, and once issued, is not forfeited by non-payment of premiums on the policy.

12. This Company, it is believed, pays a larger surrender value for its policies than any other.

13. *All* its policies are *non-forfeiture.*

14. It permits its members to travel to or reside in any part of the Western Hemisphere north of the Tropics, or any part of Europe; to travel to or from California by land or water; but does not seek business in the far or unhealthy South.

15. In short, the Company aims, not to take advantage of its members or of their misfortunes, but to conduct its business upon the basis of the strictest equity and an enlarged liberality.

GENERAL AGENTS:

H. G. WILSON & CO., Gen'l Agents, Mass., Maine, New Hamp., and Vt., 114 Washington St., Boston.
MUNSELL & SMITH, Gen'l Agents, Eastern Pennsylvania, 428 Walnut St., Philadelphia.
GEORGE DART, Gen'l Agent, Western Pennsylvania, Williamsport, Pennsylvania.
BATES BROS., State Agents, Eastern Ohio and Western Virginia, Wooster, Ohio.
JOHN LOKIE, State Agent, Western Ohio, Toledo.
MARTIN & HOPKINS, State Agents, Indiana and Kentucky, Journal Building, Indianapolis, Indiana.
SHUGART & DEAN, State Agents for Illinois, 85 Washington St., Chicago.
MARTIN & PERKINS, State Agents, Iowa and Nebraska, 49 Brady St., Davenport, Iowa.
CHAS. AURINGER, State Agent, Michigan, 111 Jefferson Avenue, Detroit.
SNOW & SEELY, State Agents, Missouri, 116 Chestnut St., St. Louis.
F. E. SHANDREW, State Agent, Minnesota, Winona.
FISHER & ADAMS, State Agents, Kansas, cor. 5th and Delaware Sts., Leavenworth.
J. S. CHAPIN, State Agent, Tennessee, 34 Union St., Memphis.
J. A. MELCHER, State Agent, Northern Alabama, Selma.
DAVIS & SEELYE, Gen'l Agents, Northern Georgia and South Carolina, Atlanta, Georgia.
ELMORE & ROWE, Gen'l Agents, Pacific Coast, 315 Montgomery St., San Francisco.

For a Policy or an Agency, address

A. W. KELLOGG, Secretary. S. S. DAGGETT, President.

HEBER SMITH, General Superintendent.

"A Northwestern Mutual Advertisement of 1868"

50 YEARS

The last half century is only an instant in the long corridor of time.

It covers, in fact, less than half the era in which life insurance has served man.

But it's an eternity in the lives of a fatherless family without life insurance funds.

And it's a long time for one insurance periodical faithfully to record the progress of our business, meanwhile lending the weight of its authority and prestige to those constructive principles and practices which have made life insurance what it is today.

Congratulations to the National Underwriter upon its 50 years of outstanding service!

With enthusiasm for the tasks still to be performed and profound faith in the ability of the life insurance business to fullfill its mission, we join the National Underwriter in looking forward with anticipation to the next 50 years of progress and service.

OCCIDENTAL LIFE INSURANCE COMPANY
OF CALIFORNIA

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Birthdays it seems to us, should be measured by progress — not years. Congratulations, then, to The National Underwriter, on its achievement in reporting so well the events of the insurance world during the past 50 years. ¶We're celebrating our own 80th Anniversary now, but when someone asks us how old we are, we think in terms of accomplishment rather than number of years. Of how The Union Central, from a humble beginning in 1867, became one of the nation's leading financial institutions, with assets exceeding $533 million. Of how the Company has provided over a billion dollars of life insurance protection and security for the American people. ¶During those 80 years of growth, however, our ideas and methods remained young. And they'll *always* be. For they are progressive ideas on scientific selection, training, supervision, and selling which give *better* agents a *better* chance to make a *better* living.

1867 1947

Eightieth Anniversary Year

THE *Union Central* LIFE INSURANCE CO.

CINCINNATI, OHIO

★

FIFTY CANDLES

A golden anniversary is indeed worthy of celebration. It means 50 years of successful service at the same stand . . . 50 years of friendly, helpful relations with customers . . . 50 years of experience and prestige behind everything the organization does.

Continental salutes our good friend and neighbor, the National Underwriter, on its fiftieth anniversary, and extends our heartiest congratulations to its able editor, C. M. Cartwright, who for half a century has guided the editorial policy which has made this publication outstanding in its industry. We are pleased that we commemorate our own golden anniversary in such distinguished company.

1897 1947

CONTINENTAL CASUALTY COMPANY

Affiliated with Continental Assurance Company — Transportation Insurance Company
—A National Institution writing all forms of Accident & Health, Life,
Casualty, Surety Bonds and Inland Marine Coverages

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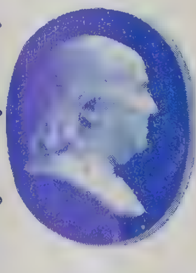
We've Done a Lot of Growing...

IN THE PAST FIFTY YEARS!

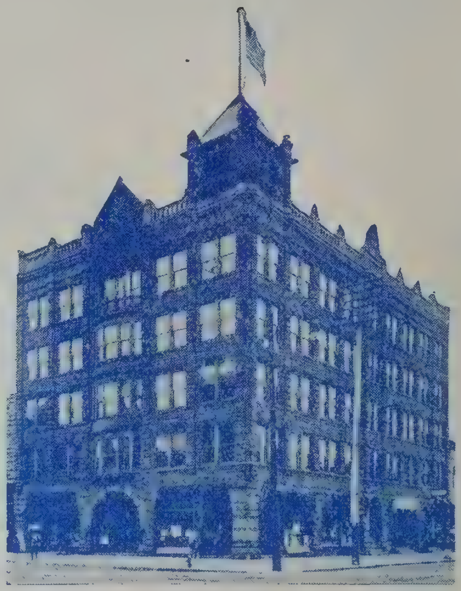
Fifty years ago—in 1897—the Franklin Life was a lusty youngster of thirteen years. It had already outgrown its original home, and was housed on two floors of the imposing new stone Franklin Building. Admitted assets had reached the impressive figure of $150,508.00 and insurance in force totaled $7,643,250. Those were no small figures in Springfield of 1897.

But by 1913, larger quarters were again necessary, and the Company moved to its classic, Grecian-pillared home, which it now occupies.

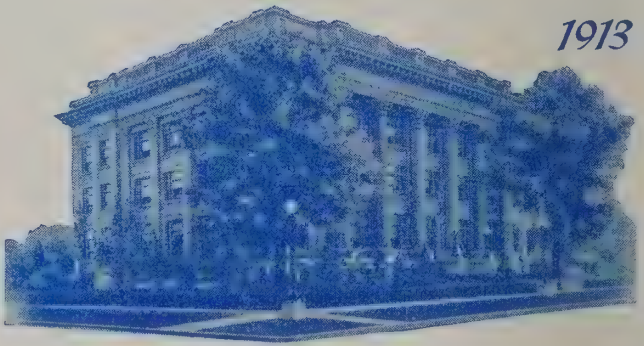
Today—fifty years later—the Franklin Life is a financial giant whose assets have increased six hundred times. Insurance in force totals nearly $450,000,000.00. And our splendid new eleven-story Home Office addition with nearly twice as much additional floor space, will soon be ready for us. *Fifty years! They have been fifty golden years of progress for us.*



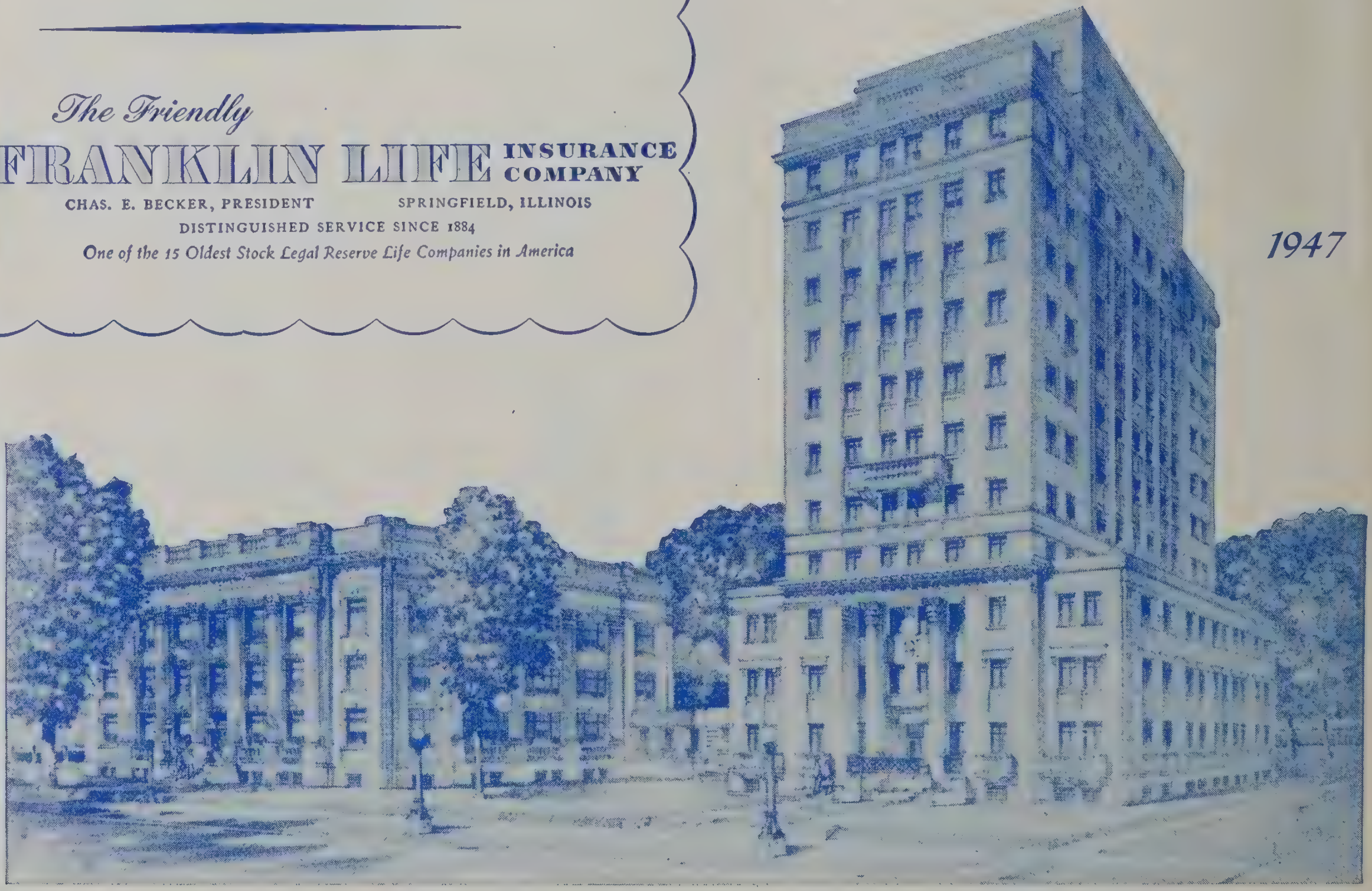
The Friendly
FRANKLIN LIFE INSURANCE COMPANY
CHAS. E. BECKER, PRESIDENT SPRINGFIELD, ILLINOIS
DISTINGUISHED SERVICE SINCE 1884
One of the 15 Oldest Stock Legal Reserve Life Companies in America



1897



1913



1947

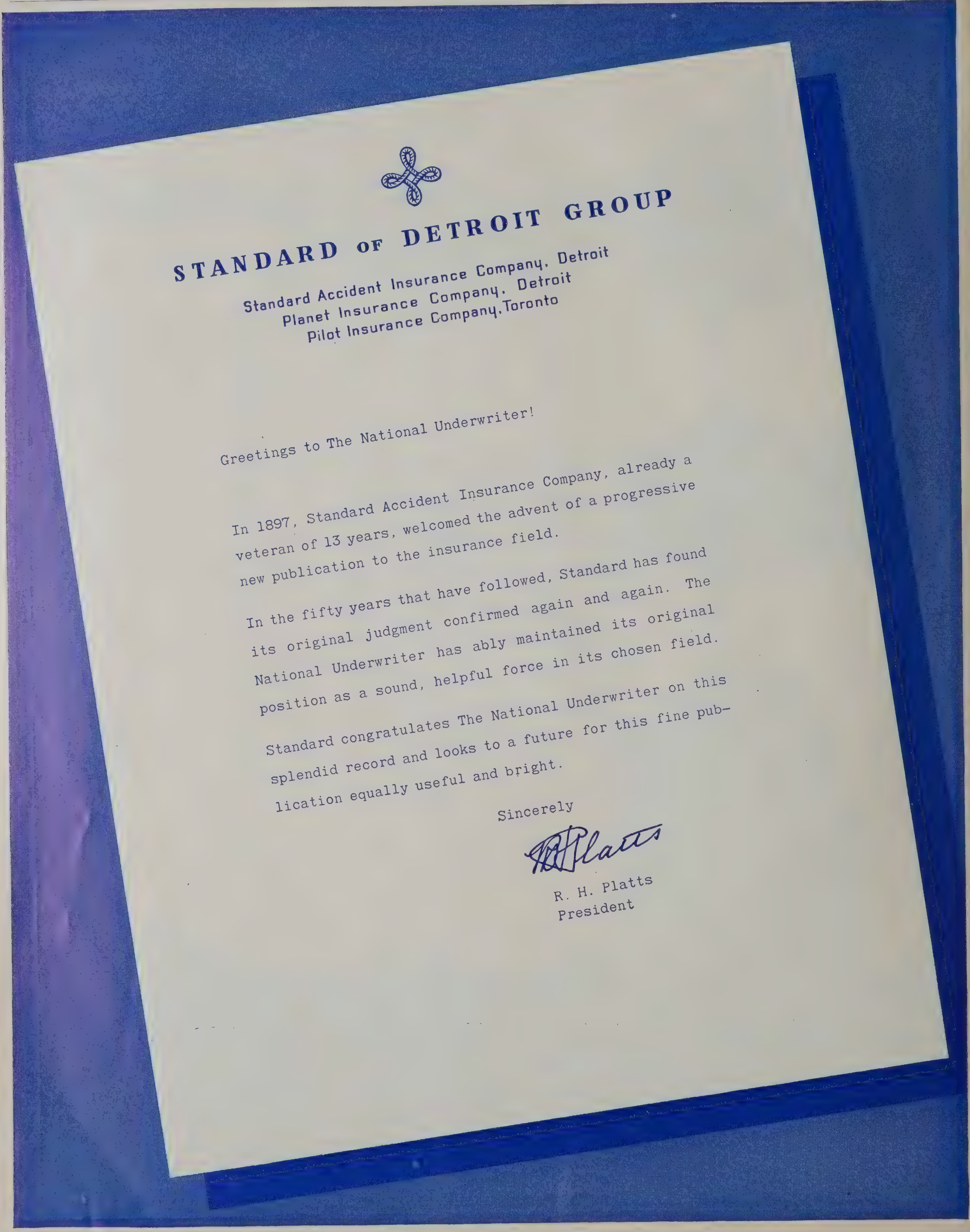
EMPLOYERS REINSURANCE CORPORATION

J. B. ROBERTSON — PRESIDENT

CONGRATULATIONS
to *The* **NATIONAL UNDERWRITER**
on its first half-century of sincere and constructive service to Insurance. All good wishes for continued success in its second half-century.

KANSAS CITY

NEW YORK CHICAGO SAN FRANCISCO LOS ANGELES



STANDARD OF DETROIT GROUP

Standard Accident Insurance Company, Detroit
Planet Insurance Company, Detroit
Pilot Insurance Company, Toronto

Greetings to The National Underwriter!

In 1897, Standard Accident Insurance Company, already a veteran of 13 years, welcomed the advent of a progressive new publication to the insurance field.

In the fifty years that have followed, Standard has found its original judgment confirmed again and again. The National Underwriter has ably maintained its original position as a sound, helpful force in its chosen field.

Standard congratulates The National Underwriter on this splendid record and looks to a future for this fine publication equally useful and bright.

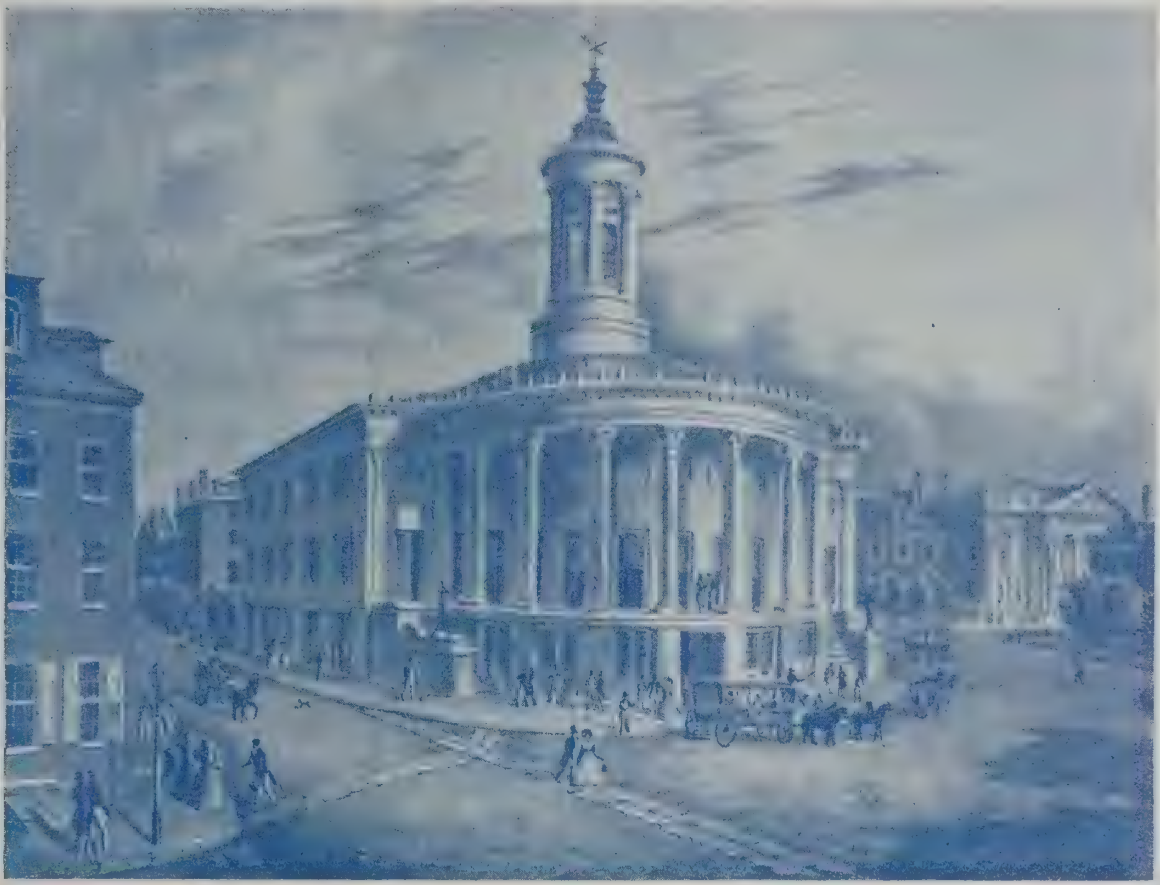
Sincerely

RH Platts

R. H. Platts
President

1847—PENN MUTUAL CENTENNIAL—1947

(The National Underwriter was born in 1897 when the Penn Mutual was fifty years old. At the time of its Centennial the Penn Mutual salutes the National Underwriter's Fiftieth Anniversary.)



— *The Merchants' Exchange in Philadelphia, where the Penn Mutual was organized in 1847.*

1847-1947

It is said that a successful man is one who sees the bright dreams of early youth fulfilled in later years. If we can apply this definition to a business organization, certainly the dreams of the founders must be more than fulfilled by an organization which, to half a million people, can say "Back of Your Independence Stands the Penn Mutual."

On the threshold of its *Hundredth Anniversary,* the Penn Mutual cannot foretell how far the roads to the future, both figurative and actual, may lead toward fulfilling men's desire for freedom from want. In the trusteeship traditions and progress of this century-old organization, however, there may be a key to the promise the future will hold.

John A. Stevenson,
President.

The PENN MUTUAL Life Insurance Company

INDEPENDENCE SQUARE PHILADELPHIA

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FIFTY YEARS

FIFTIETH anniversaries are pretty fine... and relatively rare... things. That's why we are glad to participate in this recognition of the half century of service The National Underwriter and Editor C. M. Cartwright have given to life insurance.

Congratulations to Editor Cartwright, to Howard J. Burridge, president, and to The National Underwriter staff for a job well done.

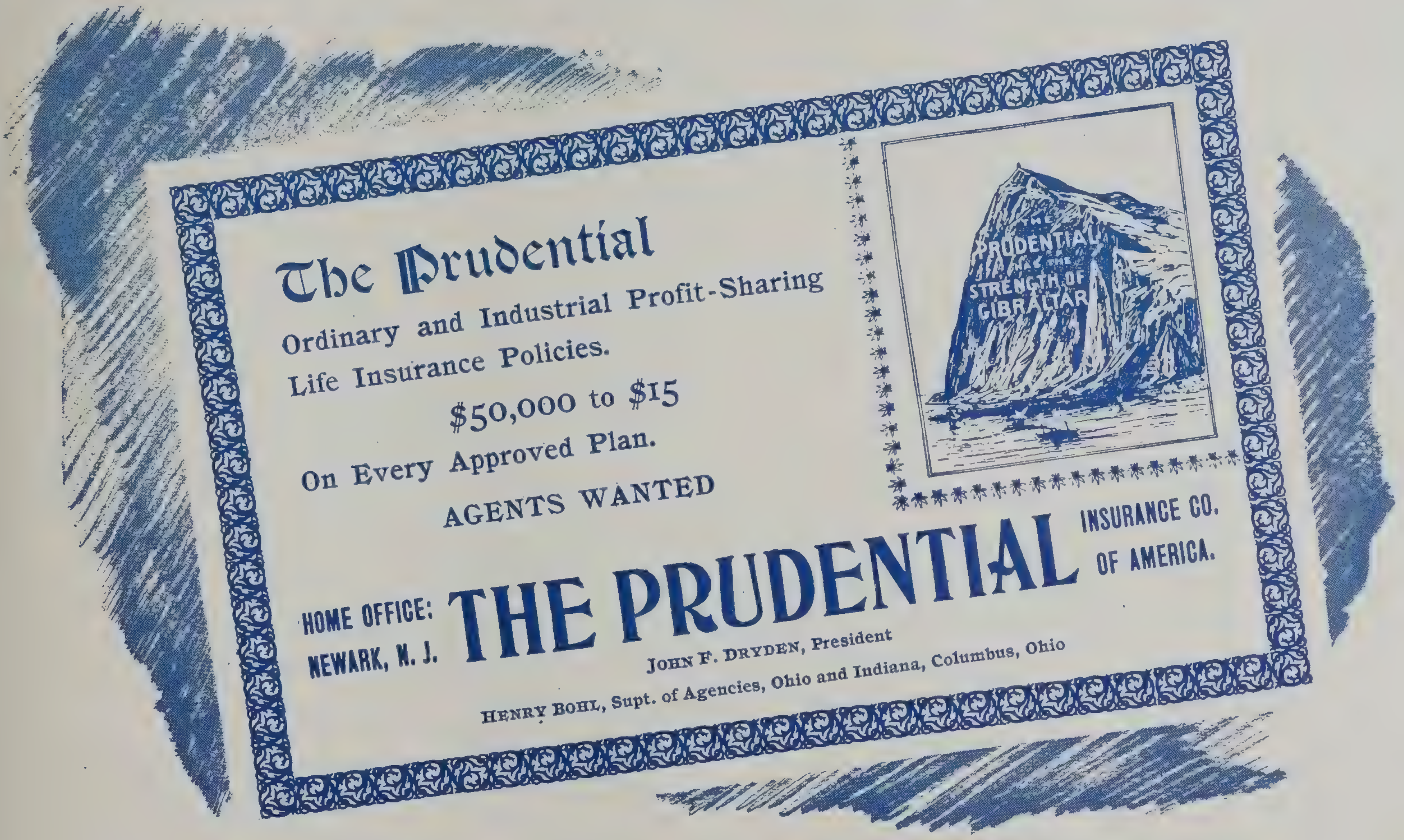
BANKERS *Life* COMPANY
DES MOINES
ESTABLISHED IN 1879

1897
—
1947

CONGRATULATIONS, NATIONAL UNDERWRITER!

You were still a toddler when we first got to know you. That was back in 1899.

But you were a pretty husky fellow even then—husky enough to help us. Here is the first Prudential message you carried to your readers:



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FIFTY YEARS AGO . . .

Half a century is not a very long time when judged by the swiftness of events. However, the achievements in the Insurance world since the establishment of The National Underwriter fifty years ago far surpass those of previous centuries.

For example, when American Surety Company began business in 1884, it was the first Company organized in the United States to devote itself exclusively to writing Fidelity and Surety Bonds. That event marked the beginning of the end of the personal surety and the establishment of the surety business on a sound basis. From that point there evolved a long series of improved Surety Bonds, including Fidelity Blanket and Position Bonds, Forgery Bonds, our own conceived Discovery Bond, and others, together with many refinements — all keeping pace with the changes in the nation's everyday life.

Furthermore, when New York Casualty Company was organized in 1890, many of today's important Casualty lines were unknown. Progress in similar degree has characterized the Life, Fire, and Marine Insurance lines. Hand in hand with the American Agency System, all have served to improve our country's economic health through better, more abundant protection against loss.

In this fifty-year battle of progress The National Underwriter has played a notable part. We salute a fellow pioneer.

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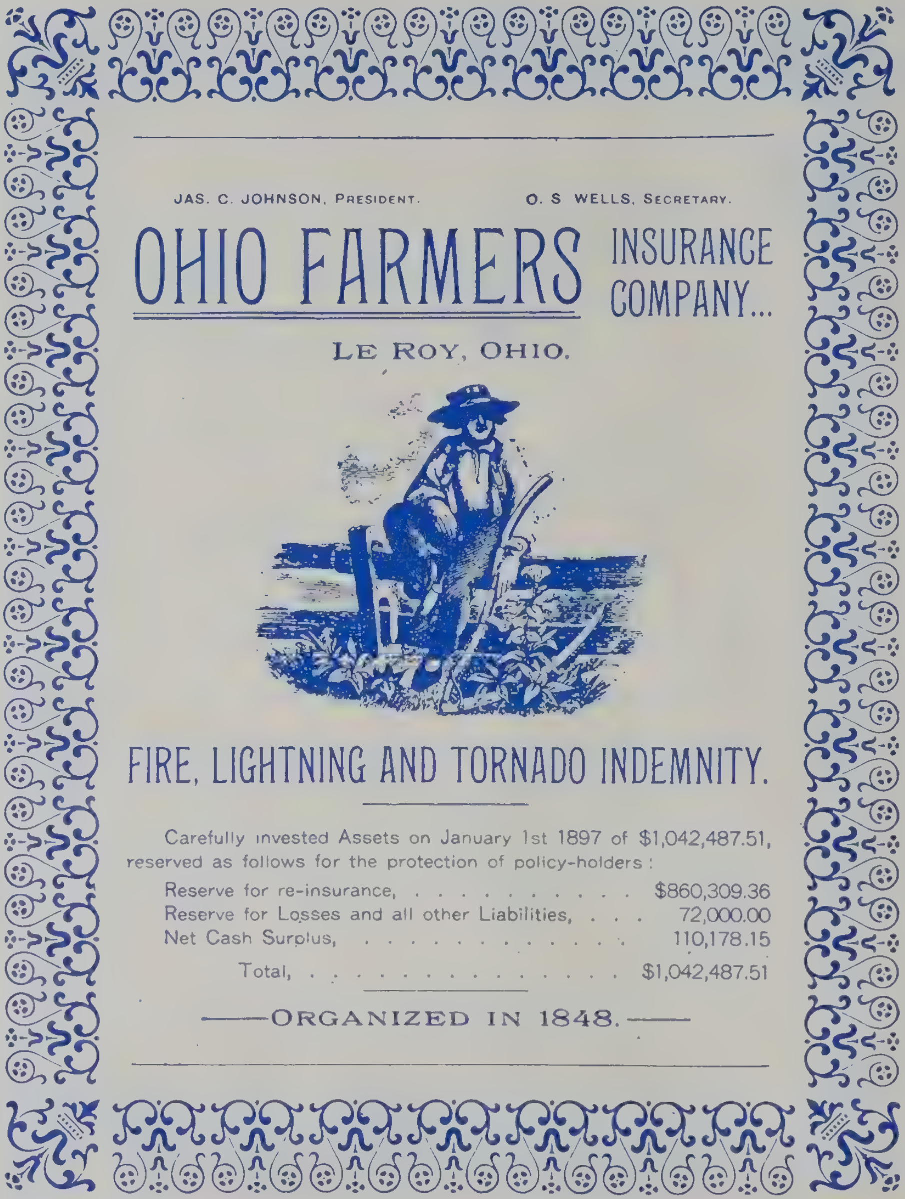

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Reserve for Losses and all other Liabilities,	72,000.00
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Total,	$1,042,487.51

——ORGANIZED IN 1848.——

REPRODUCTION OF OUR ADVERTISEMENT IN THE FIRST ISSUE OF THE OHIO UNDERWRITER ON FEBRUARY 4, 1897

It is a very great pleasure to recognize the support and service to the insurance industry rendered by The National Underwriter in the years since its first issue in 1897. The Ohio Farmers congratulates this journal on its 50th Anniversary and hopes that the next fifty years will be equally as happy and successful!

Ohio Farmers

INSURANCE COMPANY • LEROY, O.

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MEMBER • THE NATIONAL BOARD OF FIRE UNDERWRITERS

A Splendid Fifty Years

Insurance and Insurance Publishing Have Grown Up Together and Face Another Half Century with Confidence

BY C. M. CARTWRIGHT

WITH this issue, THE NATIONAL UNDERWRITER sets out upon its second half century. The edition, large as it is, and representing the thought and recollection of so many distinguished and eminent personalities, is not intended as a chronicle of all the events that have transpired in the past 50 years. It is, rather, a glimpse into the more important and vital transactions that have influenced the growth and character of the insurance business. There is, also, a look at the future and some of the problems that lie ahead. Many of them seem difficult in solution; all of them appear vital. But, like the critical issues of the past, the men and women in insurance will meet them with courage and resolution, hard work and ingenuity. The business today has the confidence of the people in a degree far beyond the most fervid imagination of 1897.

This is the view of C. M. Cartwright that visitors get when they call at his office in the Insurance Exchange Building in Chicago. The picture was taken recently. C. M. is now the dean of all insurance editors, having been actively in practice as an insurance journalist since 1896. He has been editor of The National Underwriter for 48 years.

Unfortunately it has been impossible to mention but a few of those who wrought the precedents which we accept today and under which the business functions. Not all the subject matter that every reader may want to find in this issue has been treated here. In all, the effort was to be suggestive rather than exhaustive.

It may be appropriate to say that in addition to furnishing a picture of 50 years, this issue is also a tribute to a remarkable young man who went to Cincinnati half a century ago with $64 in his pocket and founded an insurance periodical. Today The National Underwriter Company has the largest organization of any insurance publishing house. If E. J. Wohlgemuth were alive, he would be astonished at the enterprise his $64 beginning has accomplished.

We may be pardoned in paying tribute also to the men and women who have been associated with The National Underwriter Company and those still at their posts who are responsible for its success. This Golden Anniversary edition, and every issue of THE NATIONAL UNDERWRITER and the other papers and services the company publishes, are a result of their effort.

It should be mentioned here that the companies, agencies, and firms that have made the edition possible went further than simply to advertise in it. All of them took special care to make their displays attractive, and there is little doubt that in that respect the edition is exceptional.

INSURANCE has done all of the things described in this issue. Their total creates a sense of overwhelming performance, yet the sum of the individual items falls far short of picturing the whole achievement.

As one of our editors has put it, the contributions of insurance that are seen and recognized are in proportion to the unrecognized as the part of the iceberg that protrudes above the water is to the nine-tenths of its mass hidden below the surface.

Everybody sees the benefits that flow from insurance after a death, a fire, a huge liability judgment, an injury. Yet the major contribution of insurance to the social and economic welfare, the nine-tenths of unseen benefit, is removal of fear, the substitution of certainty for uncertainty, and the widening of spending, investing and living areas.

Fear of the unknown and the uncertain is a paralyzing and crippling deterrent to action. Insurance removes fear so that men may undertake new enterprises, expand old ones, and meet primary obligations. Obviously men can borrow money at lower rates of interest when their chances of enterprise success are increased by insurance protection. The public then benefits by lower prices on consumer goods. Insurance frees most of a man's income so that he can spend with pleasure and confidence that adds much to the zest of living.

The invention of insurance is one of the great creative acts of man. While it is a social and economic, and not a mechanical device, its use and application produces new benefits through the release of men's energy and imagination into practical operation. This goes far beyond the total of the immediate claim payments to millions of those who receive dollars when they are most needed.

Throughout this volume is pictured the fantastic expansion of insurance purchased in the United States and Canada. Does anyone think there is no relation between that use of insurance and the fact that these two nations lead the world in productive enterprise? Quickness to seize upon and put to work every device, social or mechanical, which would multiply the power of man has been a characteristic of the American people.

The motivating factor responsible for America's progress and its vast use of insurance probably is the strong hope that exists in so many individuals for success. If they did not have a deep seated conviction that the future would be worthwhile, they would have little interest in protecting it.

Yet insurance had to be sold. It was sought by the American people only in the passive sense that a practical people were ready for its practical marketing. They were made security minded by a determined host of salesmen who, with ever increasing skill, argued, cajoled, persuaded and educated their prospects into buying.

There is no contradiction in the statement that the American people were quick to make practical use of insurance but it was necessary to present insurance to them.

No substitute for the personal salesman has yet been discovered for insurance. No one has ever pored over an insurance catalog to pick out an insurance pattern or cover he would like. When the institution of insurance is put on its pedestal, there should be set alongside it a figure representing the insurance salesman.

The sale of insurance in every field has gone through three phases. First came policy selling. The salesman described the policy terms and praised the policy and the promises it made. Then came the description of insurance needs. In life insurance this was taught by making the salesmen know and understand the functions of insurance. People generally took fire insurance for granted but for the lines allied to fire insurance and for casualty coverages, policy selling also was followed by an emphasis on the need for the kinds of insurance being sold. The third phase of insurance selling involved a specific analysis of the insurance requirements of the person and the property being insured. This involves an uncovering of personal needs and property hazards out of which is developed and presented a program of purchase fitted to the individual buyer.

National Underwriter publications made substantial contributions to insurance selling during periods when all three of these methods predominated. Through its educational papers like "The Accident & Health Review," and "The Casualty Insuror" and earlier by supplements in THE NATIONAL UNDERWRITER, a great mass of well selected and well edited selling information was gotten into the hands of insurance salesmen. The Diamond Life Bulletins, The Fire, Casualty & Surety Bulletins and the Accident & Health Bulletins were natural developments of this effort to keep pace with the selling needs of the business. The Diamond Life Bulletins particularly made a great contribution to life insurance selling by their early treatment of life insurance as an investment. The Fire, Casualty & Surety Bulletins made what one company described as the most notable contribution to fire and casualty selling in 100 years when its first editor, Charles R. Hebble, devised the practical chart for grading the kinds of insurance needed most, based on the principle of buying first to insure against the maximum possible single loss.

INSURANCE came into flower with the capitalistic era. To provide a cushion so that a heavy loss due to death, fire, accident, bad luck or disaster of any kind, did not crush an individual or his family, but fell on a number who contributed to a common loss fund—this was, and is, insurance.

In the development of the capitalistic system, one of the main problems has been to amalgamate the capital, or small savings of many persons in order to finance great undertakings. Life companies not only serve as a means of personal protection and creators of estates for individuals, but they constitute a great investment reservoir.

Between 1843 and 1870 the agency system of selling life insurance was inaugurated and had tremendous growth. State regulation of all forms of insurance came into being. Life insurance began to study its own problems, find where it could make improvements and how it could extend its realm.

Life insurance on a legal reserve basis by 1870 began to make an impression. People began to question the reliability of many assessment companies. In the early 1870s legal reserve companies began establishing agencies to go after business and a few years later assumed the upper hand.

Competition was strong, and there was great rivalry among companies as to new business. No accounting was made to policyholders as to the amount of dividends. It was claimed that the companies were attempting to influence legislation and were paying far too great a sum to get business.

Eventually this led to the Armstrong investigation in New York. Undoubtedly, the investigation was the greatest thing that has happened to life insurance.

Owing to the great publicity and the suspicion in the minds of the public regarding eastern companies, there were organized, especially throughout the central west and south, many new companies.

Professional promoters established headquarters at various points and started to sell stock in new life companies. The plan was to get a few influential citizens to purchase stock. They formed the organization committee. The promoter then canvassed those in the community who had money. When he had sufficient stock for a company to begin formal organization and apply for a license, the promoter pocketed his stock commissions, lit out and started to organize another company in another locality.

There developed quite a battle for getting agents and business. Sharp practices were introduced. There were bitter personal attacks by life company officials. A few prominent men saw the necessity of doing something to stabilize the reputation of the new companies. They organized the American Life Convention.

These younger companies found it difficult to attract agents. The older companies in the field had the prestige and had established what they believed to be a commensurate commission rate. The newer companies however, could not attract agents, and the so-called preliminary term valuation was introduced. This allowed companies to use a large part of the first premium to get business. Thus a very strong fence was put up between what were termed the old line legal reserve companies and the preliminary term companies. The American Life Convention, however, stood very firmly on the preliminary term plan, and its member companies all employed it. This led to strenuous competition between the older companies in the east and the newer ones of the west and the south, which existed for many years.

FIRE insurance started as a simple transaction to cover loss by fire. It was in New England and the east that fire companies began to originate and develop in size. It was natural that this should be because of the larger values there. There were mutual companies formed in eastern cities and later stock companies were organized. It was appropriate that stock insurance should start in the east where not only values were greater but it was easier to procure money for investments. In its earliest days, insurance was largely sold by mail.

Then almost all companies adopted the agency system and insurance salesmen were brought into contact with the people. Companies began to appoint field men. Business was stimulated.

Rating methods those days were very crude. As time went on, the field men took over rating activities. Rating was largely guess work. Later, rating took on a standard form and became scientific when the Dean schedule was adopted. This was the first attempt to rate fire insurance scientifically. Theretofore, there was no uniformity but much confusion.

While in the beginning it was quite simple, fire insurance has now become a complex business which requires the knowledge, ability and capacity of competent agents and underwriters.

In addition to meeting wars, panics and depressions, fire insurance has endured some catastrophes that created havoc. The greatest of these was the San Francisco fire. That caused the failure of some companies that had been prominent. They could not meet their obligations. Other companies increased their capital and thus had the money to meet claims.

There has been a great improvement in the reduction of physical hazards. The Dean schedule gave credit for the removal or diminishment of hazards. That appealed to the pocketbook and caused much improvement in building.

The Chicago fire in 1871 was catastrophic and caused the failure of a number of small Chicago companies and others. One effect of the Chicago fire that was felt for some time afterward was lack of confidence in Chicago companies. The foreign companies, mainly English, all paid their claims. That popularized them in Chicago and elsewhere.

One reason for Chicago not having home fire companies is the fact that so many western departments of important companies were located there. These departments took the place of companies. Each department had jurisdiction over the entire central west and so far as the policyholders were concerned, it was a company in itself.

Inland marine insurance has been a magnificent leader for fire companies. That has been one of the notable developments of recent years. It is continually increasing in importance.

One of the notable features years ago was the presence of a large number of underwriters' agencies or "annexes," as they were called. An "annex" was not a separate company. It issued policies of the parent company, but on the jacket, the front part of the policy, the agency name appeared. This practice enabled a company to appoint more than one agency, or to give "sole representation."

In the field of fire insurance cooperation is necessary. It differs from any other line of business. The companies are interested in the same agency, same risk, same loss, and they have much in common in their reinsurance arrangements. It would be impossible for a single company to attempt to carry out the necessary work and hence, associations and committees are necessary. Those who attack fire insurance from time to time seem to overlook this phase of the fire insurance mechanism. Because companies are obliged to cooperate with one another on many different projects, they are often accused of monopoly or of squeezing out smaller companies.

Owing to the necessity of having proper avenues for rendering service, fire companies divided the country into four jurisdictions. These organizations have long been prominent and are recognized for the high service they render. They have been attacked from time to time. The law suit against the Southeastern Underwriters Association by the federal government created dismay. Its effects are still problematical.

THE casualty business is new, compared with life and fire. It started with travel accident coverage. A ride on the railroad was regarded as hazardous. Burglary was probably the next line of casualty insurance to develop.

Local agents even 25 or 30 years ago did not look with an favor on writing casualty insurance. The National Association of Insurance Agents had for its first name the National Association of Local Fire Insurance Agents. Thus, casualty was not recognized. Today the majority of agents find casualty insurance furnishing the bigger part of their premium income. Public liability insurance is a large line for these companies. General liability, elevator and other casualty lines were inaugurated. Then came workmen's compensation, which was a big factor in casualty premiums.

The automobile has been one of the big casualty premium producers and it has also presented some very big problems. One of the results of the appearance of the automobile was the organization of casualty companies by fire groups. At first the casualty business was managed by the fire manager, but this proved pretty much of a failure. Soon it was apparent that the casualty business merited its own special manager. Casualty companies found it to their advantage to have their own special agents particularly trained for their jobs. Some of the casualty companies organized fire companies.

The surety business is decidedly a specialty and companies writing surety bonds have been compelled to employ those who are well acquainted with the work. A number of agents have made a study of the surety business and have become experts in handling it.

The past 50 years has seen insurance come to maturity in many respects. Today it has grown up. Its shoulders are broad and capable of carrying its burdens. It has the men to solve the problems that are before it, and younger men will come along to deal capably with those matters that must inevitably arise in the decades ahead.

ACKNOWLEDGMENT

This 50th Anniversary issue of THE NATIONAL UNDERWRITER, consisting of 320 pages and covers, and 339 advertisements, is the largest single issue ever published by any insurance paper. It is a resounding tribute to the two editions of THE NATIONAL UNDERWRITER and those who are responsible for its production each week.

We are deeply appreciative of the many complimentary things that have been expressed about Editor C. M. Cartwright, his associates, and the quality of their work. These tributes are unusual, sincere and spontaneous. We are grateful, indeed, to all of those who have made the publication of our Golden Anniversary number possible. —H. J. B.

Casualty Record in 50 Years

Volume growth and broadened coverage marked first half century. The business will continue to grow

BY JESSE W. RANDALL

THE most interesting developments in the casualty insurance field in the past 50 years, in my opinion, have been: First, the tremendous expansion in premium volume; second, the trend toward broader coverages, more liberal and friendly claim settlements and increasing stress on the prevention rather than the indemnification of injuries and losses. Although such casualty lines as accident, employers liability, public liability, burglary, glass, boiler and others were being written 50 years ago, two of the biggest premium producers in the casualty field, workmen's compensation and automobile, had not yet come into existence and the total premium income of all casualty lines amounted to far less than the total fire premiums then being written. So much has really happened since 1897 that in an historical sketch of this brevity only the important things can be mentioned, and many things of interest must be omitted entirely.

Fifty years ago, none of the states had workmen's compensation laws in effect. If an employe was injured while at work, he could bring suit for damages against his employer. But if the employer could prove that his injury was caused, even in part, by the worker's own carelessness, or by the carelessness of a fellow worker, the injured man had little chance of collecting damages. Under the old common law, contributory negligence or negligence of a fellow servant relieved the employer of his liability.

Nevertheless, employers were frequently called upon to defend claims for damages brought by their employes and occasionally were forced to pay large sums in settlement. In those days occupational accidents were very frequent, as little study had been made along accident prevention lines. No inducement was offered to cut down this loss of life and limb. Ambulance chasers were on the job, interviewing injured men in the hospitals and offering to press their claims on a percentage basis. There was a real need for employers liability insurance, and as a consequence a number of companies started to write this form of coverage.

No one had ever heard of public relations in those days. In choosing adjusters, those pioneer casualty companies were inclined to pick the hard boiled type of man who could scare a claimant into compromising or dropping his claim. The one thing they were interested in was to dispose of claims as quickly and as cheaply as possible. They gave little thought to such intangibles as good will or public relations.

BUT gradually the companies came to the conclusion that they were not discharging their full obligations to their policyholders by providing merely the defense and indemnification stipulated in their policies. They felt that it would be rendering a far greater service both to the employer and to humanity if they could reduce the number and severity of accidents occurring on the risks they insured.

Inspectors were employed to study some of the risks that the companies insured. The original idea was that these inspectors were to protect the companies' interests, make certain that the risks were properly rated and that no unusual hazards existed. But it was soon apparent that they could discover and correct hazards that were causing accidents, thus producing a better experience for the company that employed them. Competition began to make itself felt on these improved risks, resulting in rate reductions to the insured. Manufacturers and contractors began to pass this saving on to the buying public in the form of price reductions. Here was an interesting illustration of enlightened selfishness. To protect their own interests, the casualty companies had placed inspectors on some of their larger risks but, in the long run, everyone benefited—the employes through safer working conditions, the employers through lower insurance cost, and the insurance companies through improved loss ratios.

Starting during the second decade of the twentieth century, workmen's compensation laws went into effect in most of the states, which eliminated the factors of contributory negligence and negligence of fellow servants. They set definite schedules of benefit payments, and workmen's compensation insurance—far more liberal than the old employers liability insurance—was developed to meet these new legal requirements.

The casualty insurance companies took advantage of the leverage afforded by the workmen's compensation laws to push their safety engineering and inspection activities. They developed rating plans such as schedule rating, which was tied up to the accident potential of the plant and experience rating, and later retrospective rating, under which the rate that the employer paid was tied up directly to the accident experience in his plant. If accidents were frequent and the injuries serious, his rate was high. If accidents were infrequent, and those that did occur were of a minor nature, his insurance cost was less.

Jesse W. Randall, president of the Travelers' companies, is one of the outstanding casualty executives of the country. His experience has embraced practically all departments and all lines. He started as a mail clerk in 1905, went into the field as special agent of the indemnity company in 1910, became a special agent of the liability department in 1913, and then went to Springfield, Massachusetts, as casualty manager. He was branch manager at Worcester, and assistant manager at Boston, before being recalled to the home office as assistant secretary in the compensation and liability department. After serving a time as secretary in 1934 he became vice-president in charge of that division. He became president of the four Travelers' companies in 1945. He is past president of the Association of Casualty & Surety Executives.

Jesse W. Randall

This rating problem was the rock on which a number of companies were wrecked. The development of the retrospective plan no doubt has saved not only some similar shipwrecks in recent years but has made it possible for companies to continue to navigate in waters which they might otherwise have had to abandon to state funds or participating companies.

Educational programs conducted by casualty insurance companies have made employers of labor safety-conscious and today, as a matter of fact, the average employe in American industry enjoys greater safety while at work than he does in his own home.

The development of the automobile did much to popularize casualty insurance. Previous to 1915, the market for casualty insurance was limited to employers, merchants and a comparatively small group of wealthy individuals. During the first 15 or 20 years of its existence, the automobile was regarded as a rich man's toy, and automobile insurance, which was first written in 1898, was considered a luxury line. But starting about the time of the first World War, mass production methods were introduced into the automobile industry and the number of cars sold each year mounted into the millions. With this increasingly widespread ownership of the automobile came a corresponding broadening of the market for the various forms of automobile insurance.

ONE of the most interesting developments in the casualty insurance field came in the latter part of the thirties. This was the introduction of the automobile medical payments plan. Previous to this, liability had been the governing factor in the settlement of automobile injury claims. If the insured was liable, the company would pay. Under the medical payments plan, if a person is injured while operating, riding in, or getting in or out of the insured car, the company will pay his medical, surgical and hospital bills, up to a limit of $500 or $1000 per person, irrespective of liability. Since then this plan has been made a part of the comprehensive personal liability policy, as far as injuries to guests and servants are concerned. The introduction of the medical payments plan has done much to build good will for the casualty insurance business because it eliminates the friction that came with guest claims and which had frequently been the source of much controversy.

A comparatively recent development which has stimulated the sale of automobile liability insurance has been the enactment of automobile safety-responsibility laws by a number of important states. There are three types of state legislation bearing on the subject of automobile liability insurance. There is the all-inclusive, compulsory type of financial responsibility as exemplified by Massachusetts, under which an automobile owner must show evidence of the ownership of liability insurance, put up a bond, or deposit securities or cash before his registration plates will be released to him. This is known as compulsory insurance although that is not strictly accurate as it does offer the automobile owner alternatives to insurance. It is in effect only in one state—Massachusetts.

A second type of financial responsibility law is in effect in many states. Under this type of law, a motorist who is responsible for an accident which involves death or injury, damage to property which exceeds some stated sum, or who is found guilty of the violation of

WHAT HAS HAPPENED IN 100 YEARS OF LIFE INSURANCE

The major factors that have brought the business to its contemporary high estate

BY M. ALBERT LINTON

THE HISTORY of the century of mutual life insurance in this country has been described at such length and in such detail by numerous writers that it would be a wasteful duplication to repeat. All I shall attempt is a brief review of a few of the life insurance high points that stand out in the record of this remarkable century.

Following the establishment of mutual life insurance in this country, —1835 for the first mutual charter (New England Mutual), 1843 for the issuance of the first mutual policy (Mutual Life of New York)—there followed the first faltering steps of the new enterprises. Level premium life insurance, the functions of policy reserves, the equitable determination of dividends and many other technical aspects of our business were imperfectly understood by those responsible for the management of companies. Accordingly there are many instances where policyholders who had to discontinue premium payments received no values corresponding in any adequate measure to what they had paid for their insurance beyond what the current protection was worth while their policies had been in force.

As usual when need arises someone appears to meet the situation. In this instance it was Elizur Wright, commissioner of insurance in Massachusetts from 1858 to 1866 who occupied that role. Keen of intellect and vigorous with his pen, he developed the theory of nonforfeiture values, first in the form of extended term insurance, and later in the form of cash surrender values. His energetic campaign for the rights of policyholders laid the basis for the present extensive system of nonforfeiture benefits. In passing I wonder what Elizur Wright would say today if he were alive and had to master the new nonforfeiture provisions that will go into effect next year—the so-called Guertin system of nonforfeiture values? Necessarily complicated in their formulation, because of the complexities of modern life insurance, they are nevertheless direct descendants of the nonforfeiture principles stemming from Elizur Wright's original efforts.

THE aftermath of wars is likely to be inflation, a period of booming business and then a depression. Perhaps a knowledge of economics and human psychology will have developed sufficiently to moderate this cycle following World War II. It is devoutly to be hoped that such will prove to be the case. However that may turn out, there can be no doubt about their sequence following both our internal conflicts of 1861-1865 and World War of 1914-1918.

Eight years after the close of the first of these wars,, and following a period of rapidly expanding business, a severe recession began in 1873 and lasted for about six years. Many of the life insurance companies which mushroomed in the boom following the war, went to the wall. The new business of 27 companies which operated continuously in the state of New York from 1869 to 1890 inclusive dropped in 1878 to 49% of the figure for 1873. The tide then turned but it was not until 1884 that the 1873 production was surpassed. Following 1874 when the high point of insurance in force was reached by these 27 companies, there was a decline of 11.9% to the low point in 1879. Three years later the 1874 figure was surpassed and from then on the volume outstanding increased steadily, to be slightly interrupted in its progress again in the great depression of the 1930s.

The depression of the 1870s weeded out the weaklings and from then on legal reserve life insurance demonstrated its ability to withstand economic adversity, at the same time proving itself of tremendous value to policyholders in periods of economic stress.

THE NATIONAL UNDERWRITER was born in the "hard times" of the 1890s when there was extensive industrial unemployment and many business failures. In comparison with the depression of the 1870s the recession was much less severe. The new business in 1896 for 20 companies operating in New York state was 21% below that of 1893; but reached the latter level again in 1899. The amount of insurance in force however did not decline.

During the expansion period of the 1880s, 1890s and the early 1900s, an intense competition for new business developed and with it abuses for which policyholders paid heavily in the cost of their insurance. One of the most unsatisfactory developments was the issuance of deferred dividend, or semi-tontine, policies under which current dividends were withheld, accumulated, and then paid out to those whose policies remained in force at the end of the deferred dividend period, usually 20 years.

This kind of system, providing no current check upon the disposition of annual surplus earnings, stimulated an era of excessive costs of agency operations, of prizes and bonuses for the production of new business, and was accompanied by fantastic estimates of probable future dividends for those who would maintain their policies in force. There came an inevitable day of reckoning, as the realized results fell pitifully short of the forecasts. The end result was a sweeping investigation of life insurance in 1905 conducted by Charles E. Hughes, under the auspices of the so-called Armstrong Committee appointed by the New York legislature.

The legislation arising out of this investigation proved to be most salutary. Deferred dividend policies were prohibited and the annual distribution of surplus was made compulsory. A formula for limiting first year and subsequent year expenses of companies was adopted and a ceiling placed upon commission scales. This part of the law has had far reaching beneficial effects in keeping the expenses of the business within reasonable bounds. It was country-wide in its outreach since all companies, wherever domiciled, were required to live within the prescribed limitations if they did business in New York state.

Prizes and bonuses involving anything but rewards of small intrinsic value were prohibited. Agents who today may wonder why they do not receive the equivalent cost of their trips when they cannot attend conventions for which they have qualified, or why companies do not pay the cost of the convention attendance of wives, can find an explanation in the unfortunate experiences with prizes and bonuses over 40 years ago. This experience was highlighted by highly unethical practices in the writing of new business and in an unjustifiably increased cost to policyholders. The new legislation and the rul-

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He has taken an especial interest in social security and was a member of the social security advisory council appointed jointly by Senate finance committee and Social Security Board. Mountain climbing has been a hobby of many years, and he is a member of the American and Swiss Alpine Clubs.

Casualty Record in 50 Years

certain traffic laws, may be compelled to show evidence of financial responsibility or lose his driving license. The objection to this type of law is that it does not cover the first accident.

The third type is the so-called safety-responsibility law, which originated in New Hampshire and has since been adopted by a dozen or more states. This law does not require insurance or other evidence of financial responsibility before a car can be registered, but does insist that all legitimate claims arising out of a motorist's first accident must be met before his registration plates and driving license will be restored. Thus, in a state having this type of law in effect, the uninsured motorist risks his future driving privileges unless he has ample means to meet the damage claims that may arise out of his first accident. This type of law has been remarkably successful in inducing motorists to insure. Before such a law went into effect in New York state, it was estimated that less than 30% of all private automobiles owned in the state were insured. A year or two after the law became effective over 75% of were insuerd.

What does the future hold for the casualty insurance business? My guess is that we will see a continuation of the trend of the past: Broader coverages, an increased effort on the part of the companies toward accident prevention on the highways and in the factories and a continuing increase in the number of people who avail themselves of insurance protection. The volume of casualty premiums has increased many fold in the past 50 years; and it seems reasonable to except in the next half century a continuation of that growth.

ings based upon it were designed to nip incipient abuses in the bud.

Courtesy Aero Insurance Underwriters

FOLLOWING the exposure of abuses by the Armstrong investigation there was a temporary decline in new business issued, which reached bottom in 1907. Following that, production rose rapidly and with but minor interruptions increased to higher and higher levels, aided by the inflationary forces of the World War period 1914-18. There was a slight recession from 1920 to 21 resulting from the short but severe adjustment in commodity prices which characterized the immediate postwar period. Production thereafter was excellent and continued until a top production of $19 billion of new business of all kinds, ordinary, weekly premium and group, was registered in 1929.

However, the ultimate consequences of the war and of the credit expansion era of the 1920s could not be avoided. Beginning in the fall of 1929 the country went into a tailspin which did vast damage. New life insurance business fell to a low of $13.8 billion in 1933. For the first time since the 1870s the total amount outstanding declined. The top figure for insurance in force was $108.9 billion in 1931, and the succeeding low was $98.0 billion in 1933, representing a 10% decline. The set-back was overcome three years later, and since then has been climbing to ever higher levels until today it stands at $174 billion, exclusive of the government insurance issued to members of the armed forces in both wars. The new business production in 1946 is estimated at $23.5 billion.

One of the consequences of World War I was the severe epidemic of influenza which swept the world and hit this country in the closing months of 1918. Life insurance death claims in 1918 and 19 exceeded by 40% the figures for 1916 and 17. Despite the advances of medical science we can never be sure that some other disease for which we might be unprepared, may not one of these days descend upon us with unexpected suddenness.

Deep depression and mass unemployment provide fertile soil for the propagation of unsound economic and political theories. And that is exactly what happened in the dismal deflation of the 1930s. One of the consequences of the deflation was the undermining of the country's banking system which resulted in the closing of all banks in the country in March, 1933. With all banks closed, policyholders turned to their life insurance policies for needed cash with the result that the state insurance commissioners declared a moratorium on cash policy loans and on the withdrawal of cash values except for small amounts in distress cases.

With the resumption of banking facilities and the restoration of confidence in the banking system the panic demands of policyholders subsided and within six months, restrictions on cash and loan values had practically all been lifted. However the needs of policyholders for cash, because of reduced income or complete loss of income, were very great during the depression and exceedingly heavy demands were made upon the companies for cash and loan values. There was also heavy lapsation of insurance when policyholders found themselves without income with which to maintain premium payments.

One of the results of the depression was an investigation of economic matters in 1939-40 by the Temporary National Economic Committee appointed by Congress. One phase of this investigation dealt with life insurance. It was conducted by a staff, in large measure antagonistic to business, and efforts were made to highlight what the investigators felt were the shortcomings of business enterprise. Thus the high lapsation of life insurance policies during the depression was stressed and held up as an example of high pressure salesmanship and bad management in general by the life insurance companies. One wonders what conclusions they would draw today from experience in recent years under which the voluntary termination of policies has been running at an exceedingly low rate—in some instances as low as one-tenth of the peak rate in 1933.

ONE OF the results of the economic insecurity of the great depression of the 1930s was a demand for protection against the hazards of unemployment and an old age without income. The outcome was the passage in 1935 of the Social Security Act which dealt with these problems. A cooperative state-federal system dealt with unemployment and was financed by a payroll tax paid, except in a few states, exclusively by employers.

To deal with old age dependency for those already old or who would in the future reach old age without other provision, a cooperative state-federal system of old age assistance was set up. This is financed by funds contributed by the states and the federal government and at present is paying an average of $32.15 a month to 2,135,000 old persons. Right to receive these old age assistance payments is based upon evidence of need. Approximately 22% of all persons in this country aged 65 or over are receiving payments monthly.

That part of the Social Security Act of most importance to life insurance deals with old age protection, handled by a wholly federal system and financed by payroll taxes paid in equal amounts by employers and employes. Four years later this part of the act was broadened to include survivors benefits when children are concerned. Material changes in the old age benefits were also made in 1939. The present payroll tax rates are one per cent each for employers and employes but eventually these rates will have to be increased as more and more persons reach old age in covered employment. What the tax rates eventually will be, and how much the government will be called upon to pay out of general revenue remains for future determination. The over-all total cost may run up to 10% of future payrolls.

The sound philosophy underlying social security is that benefits should be set at subsistence levels in order to provide ample scope for individual initiative and enterprise, and to prevent persons from looking beyond themselves to government for a solution of their economic problems. Consequently, persons with moderate and larger incomes turn to normal channels of thrift and saving to make larger provision for the future than is provided by governmental social security.

This situation has been of benefit to life underwriters who have found it helpful to use basic social security benefits as a foundation upon which to build a comprehensive program of family and personal protection. At first it was feared that social security would tend to narrow the market for life insurance sales. Experience has shown otherwise. It is axiomatic that the best prospect for a new life insurance policy is the man who already owns one. Every individual currently insured under social security has the equivalent of a rather substantial life insurance policy on which capable underwriters may build sound and ample programs. Social security has even stimulated interest in life insurance among those whom it does not cover by emphasizing their unfilled need of protection for both their families and themselves.

WORLD WAR II with its vast destruction of life and property and its dislocation of the economic life throughout the world has had its effect upon life insurance. However what the full effect will be remains hidden by the veil of the future. Much will depend upon the extent to which we may have learned from past experience and upon our ability to apply the lessons in practice.

Fortunately the war losses among policyholders with policies which were free of war restrictions were relatively small, being in the neighborhood of 5% of all death claims during the period we were at war. The main effect of the war was in the realm of investments and investment income.

In common with other governments, our own government used its powers to force interest rates down to unprecedented low levels; the objective being to hold to a minimum the carrying charges on its tremendous war time borrowings. The results of the war financing were therefore to cause life insurance companies to invest heavily in long term government bonds yielding a maximum rate of 2½%. At present approximately 48% of all life insurance assets are invested in U. S. government bonds.

Rates of interest on life insurance investments have declined in the last 15 years from about 5% to about 3%, or approximately 40%. On present life insurance assets of $48 billion the reduction in investment income amounts to some $960 million a year; a very large part of which is reflected in an increase in the cost of insurance to policyholders.

IN BOTH World Wars the government stepped in and issued life insurance up to a maximum of $10,000 per person, at term rates to members of the armed forces; thus distributing over all taxpayers the extra hazards which it would not have been fair or safe to have placed upon life insurance policyholders alone.

In World War I the maximum amount of outstanding War Risk Insurance, as it was then called, reached about $40 billion. Later conversion was permitted to a permanent form of protection, and the maximum amount of converted insurance outstanding was about $3 billion, or approximately 8% of the former maximum. The amount now outstanding is about $2.5 billion.

In World War II the maximum amount of National Service Life Insurance outstanding on the term plan reached some $135 billion. Since then there have been heavy lapsations. Conversions to a permanent plan of insurance is encouraged, but the extent to which conversion will take place will not be known for several years. It seems clear that the insur-

A HALF CENTURY OF

FIRE INSURANCE IN THE U. S.

Growth in volume, new coverages, closer regulation, spread of liability, development of strength, improved protection, and the reduction of rates are among high points of last 50 years

BY ALFRED M. BEST

FIFTY YEARS of close and interested scrutiny of the fire insurance business in this country have disclosed a consistent story of more and more constructive outlook on the part of insurance officials and more and more broadening of insurance company functions, a history that could not fail to make a profound impression on any student of fire insurance.

To this writer there are certain developments of the period that, in degree of importance, stand out so clearly in relation to the whole picture that a commentary on those developments becomes an almost complete commentary on the fire insurance business.

Summarizing them:

1. The tremendous growth of the business as a whole, and of individual companies.

2. The development of many new and important forms of coverage.

3. The constant strengthening of the laws governing insurance operations, resulting in far greater protection for policyholders and for the companies themselves.

4. The corresponding steady improvement in the quality and efficiency of state supervision.

5. The continual improvement in the spread of liability, giving greater opportunity for the working of the law of average.

6. The steady improvement of water supplies, fire departments, building codes, and fire preventive and extinguishing equipment; all of these improvements have been due largely to the educational efforts of the insurance companies.

7. As a result of the foregoing, the steady and very large reduction in fire insurance rates.

8. The progress of fire underwriting, from virtually a "personal judgment" to a near-scientific basis.

9. The introduction of the principle of supervision of rates by state officials, to the end that they might be reasonable, non-discriminatory and adequate.

10. The oft repeated demonstration of the ability of the industry to survive conflagrations, wars and depressions.

11. The development of fleet operations.

12. The increasingly wide distribution of insurance stock ownership.

13. The decision of the United States Supreme Court that fire insurance is commerce.

IT IS difficult even for old-timers to realize how tremendous has been the growth of this country, and of the insurance business, during the last 50 years. A half century ago insurable values were very far below present levels; individual companies were small by today's standards, and in trying to cover the larger risks the available capacity was exhausted, so that many light-weight, and even fraudulent, concerns flourished. In New York state over 150 Lloyds concerns were formed around the turn of the century, followed in other sections by scores of so-called stock companies, of little or no responsibility, including many light-weight foreign companies not regularly licensed here. Only three American companies had as much as $5,000,000 combined capital and surplus and only two as much as $5,000,000 premium income. In 1896 the total premium income of all fire and marine companies, stock and mutual, and other licensed carriers, was about $160,000,000.

It is no exaggeration to state that the progress of the country in the fields of science and invention, and the effect of that progress upon the living standards of our people, have been greater than during the entire period of recorded history, covering several thousand years. Fifty years ago there were no radios, no airplanes, no automobiles and very few electric lights and telephones. In 1898 the first automobile, a Waverly electric, was sold in New York and displayed at a bicycle show. Surface transportation in cities was by horse-drawn street cars. Today our wealth and inventions lead the world; our cities blaze with brilliant lights; our telephones and our planes span continents. To the average citizen these spectacular achievements tend to obscure an achievement which in its more quiet development constitutes a superb monument to the business acumen of the American people. Although the population during the past 50 years has about doubled, the growth of the insurance business in that period has far outstripped the growth of the country. The premium income of the fire-marine carriers has risen from the $160,000,000 mentioned above to about $1,850,000,000. At the end of 1896 all domestic fire and marine and foreign carriers had assets of about $385,500,000 and capital and surplus (including deposit capital of foreign companies) of about $218,000,000. The writer estimates that as of the end of 1946 the assets of all fire and marine

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What Has Happened in 100 Years of Life Insurance

ance will cost less than that issued by private companies because the government pays all expenses of administration as well as the extra mortality costs arising from war service. However unless the veteran has the advice of qualified individuals in keeping his insurance, with its numerous settlement options, adjusted to his changing family situation, to changing tax laws, etc., the low premium cost may prove illusory.

UNTIL June 5, 1944, it had been assumed a settled policy of the United States that the supervision of insurance rested exclusively in the several states. Under that plan, insurance had grown to great stature, rendering unprecedented service in the country's economic development. Then came a decision of the Supreme Court—a 4 to 3 decision—which declared that insurance was interstate commerce and hence subject to regulation by Congress.

The far reaching implications of this decision are obvious. Congress clearly desired that the regulations of the business of insurance should remain in the states and hence in 1945 passed what is known as public law 15 which in effect gave the states until January 1, 1948 to pass adequate regulatory laws which would render federal supervision unnecessary. In consequence a large amount of new legislation is anticipated as the legislatures of the 44 states which will be in session in 1947 wrestle with this problem. Whether the outcome will be satisfactory only time will tell. The major problem is in the field of fire and casualty insurance where collaboration in the determination of adequate, safe rates of premiums is essential.

FINALLY reference should be made to the adoption of a new mortality table which under the laws of many states must be used on new business after this year. This table is known as the 1941 Commissioners Ordinary Standard Table, and is based, with adjustments, on the mortality experienced among insured lives in the 1930s. As compared with the old American Experience table published in 1868, it exhibits a very low mortality rate at the younger ages, rising approximately to the American Experience rate in the 60s and then running somewhat below the old table after that. The upper limit of the old table is age 96 and of the new one age 100.

Along with the new mortality table is a new method of computing minimum nonforfeiture values based upon the manner in which expenses are incurred under modern life insurance practice. This new method will be used by many companies in determining the actual values which in most cases will be well above the prescribed minimum provided by their policies. Values thus determined are likely to be more scientfic and to deal more fairly with policyholders as a whole than the old method of basing early year values on the reserve less a so-called "surrender charge." Extended term insurance under the new mortaltiy table will be for much longer periods than under the American Experience Table.

Because of the decline in interest rates companies are adopting lower than present rates in computing their new premiums. In consequence two opposing forces are at work. First, a lowered mortality tending to reduce premiums, and second, a lower interest assumption tending to raise premiums. When adequate margins are added for expenses and contingencies, the probable outcome is likely to be an increase in gross premiums. This must however not be attributed to the new laws. Had interest rates not declined, premium rates would have gone down. However it is important to keep in mind the basic fact, especially in connection with participating life insurance, that in the long run it is not the assumptions which determine the cost of life insurance, but the actual experience in the fields of mortality, investments, investment income, and expense. This will be as true in the second century of life insurance as it was in the first.

carriers operating here will be $4,650,000,000, and their surplus to policyholders $2,300,000,000.

The later years of the period have been notable, moreover, for greatly increased diversity of coverage, as compared with the early history of insurance. As each requirement for coverage arose, whether of an old or entirely new type, the insurance industry has never failed to meet the need. In 1896 the fire companies wrote virtually nothing but fire, tornado, marine and a small amount of inland marine and hail business. Today the annual statements give operating figures on a dozen or more types of coverage, some of which produce a very large premium volume. As our economy became more complex, there was a need for insurance against previously unknown hazards, and with no data to guide them the insurance companies provided insurance to fit each need as it arose. Some present classes actually embrace several different hazards. Very complete coverage is available.

FIFTY years ago the insurance laws of many states were so lax that they afforded little or no protection for policyholders. Unscrupulous promoters were quick to take advantage of that situation. Sometimes they went through the form of incorporating companies, neglecting, however, to supply the concerns with any tangible assets. To illustrate: Early in the century all that was required for the formation of an insurance company by the laws of Virginia was a deposit of $10,000. In two years, from 1903 to 1905, 21 companies were formed in that state alone, and managed to collect some premiums. In other states, notably Pennsylvania, it was very easy to comply with the law in organizing a mutual fire insurance company, and swarms of them resulted. At about that time in one of Best's publications appeared a list of 57 domestic stock companies, 64 foreign, 29 mutuals and 13 Lloyds, a grand total of 163 concerns which were writing so-called surplus line business. All of these had some semblance of substance, and the list did not include out-and-out wild-cat concerns. Many of these organizations included clauses in their policies making them practically worthless as protection.

At Coney Island, for instance, a well-known animal trainer was exhibiting a chimpanzee, which wore evening clothes, used knife, fork and spoon when eating, and wound up by smoking a cigar after dinner. One of the wild-catters induced the monkey's owner to buy $75,000 of insurance on the monkey's life, at a premium of $7,500. This swindler then doctored up some fire insurance policies to give them some semblance of life insurance contracts, had them printed, delivered them and collected the money, which he split with his accomplices. All was well until the monkey caught pneumonia and died. After a while the policies were brought to our office by a lawyer, who was deeply chagrined to find that all of the companies were simply fakes, with no existence whatever.

Another swindler, operating from New York, sold a lot of policies complete with a picture of a well-known stag on the front and the words Hartford Insurance Company, trading on the fine reputation of the Hartford Fire Insurance Company. We finally traced this man to a room on the lower east side of New York and arranged for a detective to catch him in the very act of putting mail in a letter box. As a result he was quickly put out of circulation.

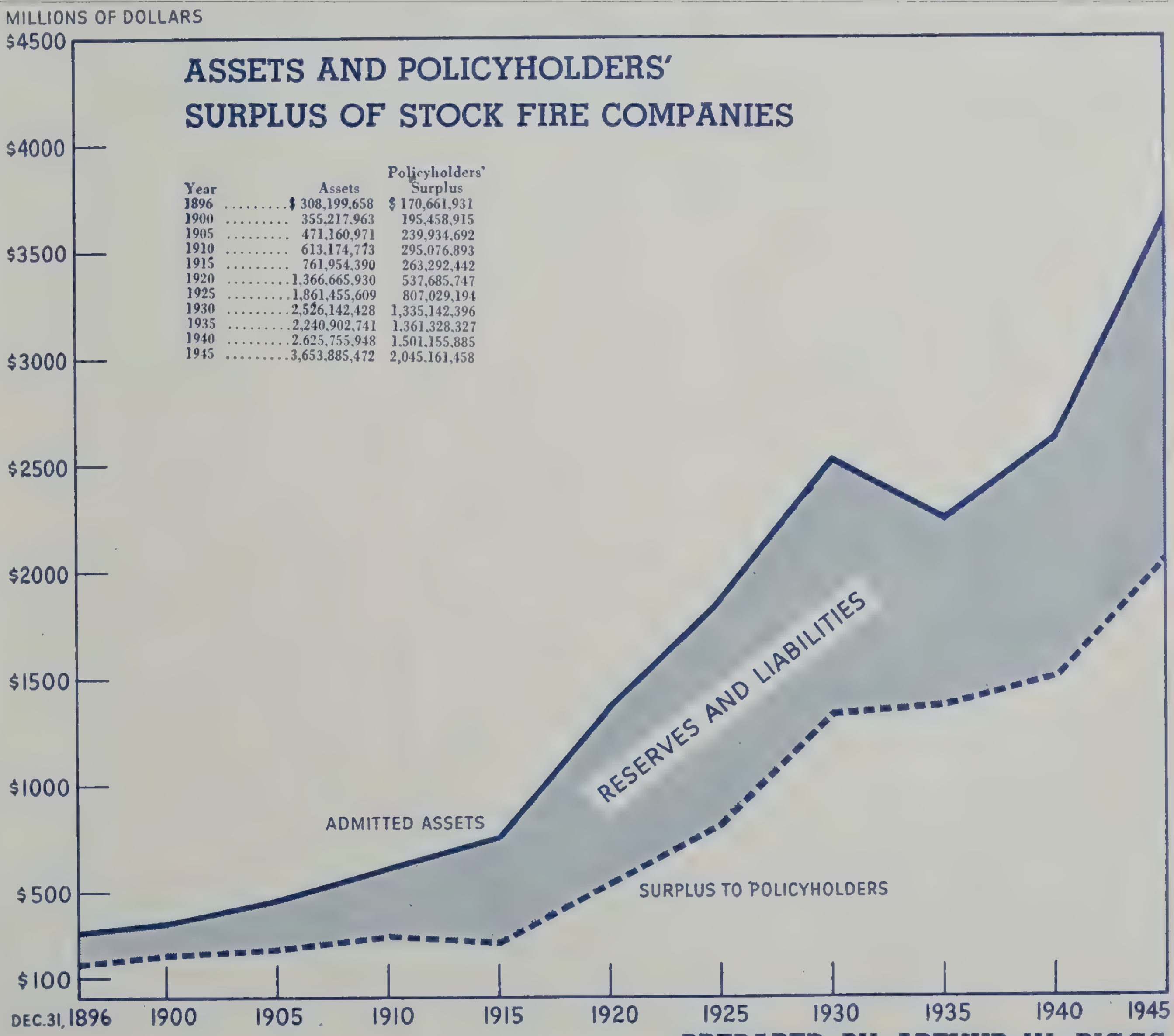
A man whose life work was represented by a paper mill in New Jersey was brought to us by a reputable insurance broker, who knew him. This mill owner had been the victim of a cut-rate proposition. He had two policies in legitimate companies and a stack of wild-cat policies, all of which were considered as contributing insurance. We supplied this man with a trained investigator and an attorney, and, after months of work, and with the cooperation of the state's attorney of Illinois and a Chicago police squad, the Chicago office of the wild-catters was raided, the whole crew arrested and all the books and other records were removed. All the wild-catters were convicted and received long sentences. When the paper mill man and our office started on this job we had no thought of recovering any money, but one day the head of the gang of swindlers sent for our attorney and asked whether, if he told our attorney where the money had been hidden, the latter would tell the court at the swindlers' trial that he had tried to make some restitution; to which, of course, our attorney agreed. As a result, a safe deposit box was opened, and over $18,000 was recovered. Poetic justice, indeed!

On another occasion completely fraudulent London Lloyds policies made their appearance here. We secured one of them, sent it to Lloyds in London, and in due course received an affidavit from Lloyds' secretary to the effect that not one of the 60-odd names on the policy was, in fact, an underwriter at Lloyds.

These are just a few recollections of the swindles perpetrated during that period. Life in our office was considerably more colorful and amusing then than now, but quite the reverse to the victims, many of whom were ruined. These cases are mentioned merely to illustrate the tremendous improvement that has taken place in this respect through the intervening years; partly because of the greater education of the public, making prospective policyholders much more conscious of the necessity for investigating the reliability of insurance contracts offered to them, and partly through the gradual and steady tightening of the laws of the various states, which today has reached a point where a duplication of such piratical activities is practically impossible.

In many states the laws were lax in the earlier years of the insurance industry, and, as a natural result, insurance supervision in such states was of dubious quality, or worse. There were many instances of shake-downs by state insurance officials; some of them would walk into a company's office, sit around chatting for a few hours and then present a bill for hundreds of dollars as the cost of their examination. This skullduggery has long since vanished from the insurance scene. Today the insurance commissioners are doing a real job, and during the current year their authority will undoubtedly be further extended as a result of the Supreme Court decision that insurance is commerce and the passage of public law 15.

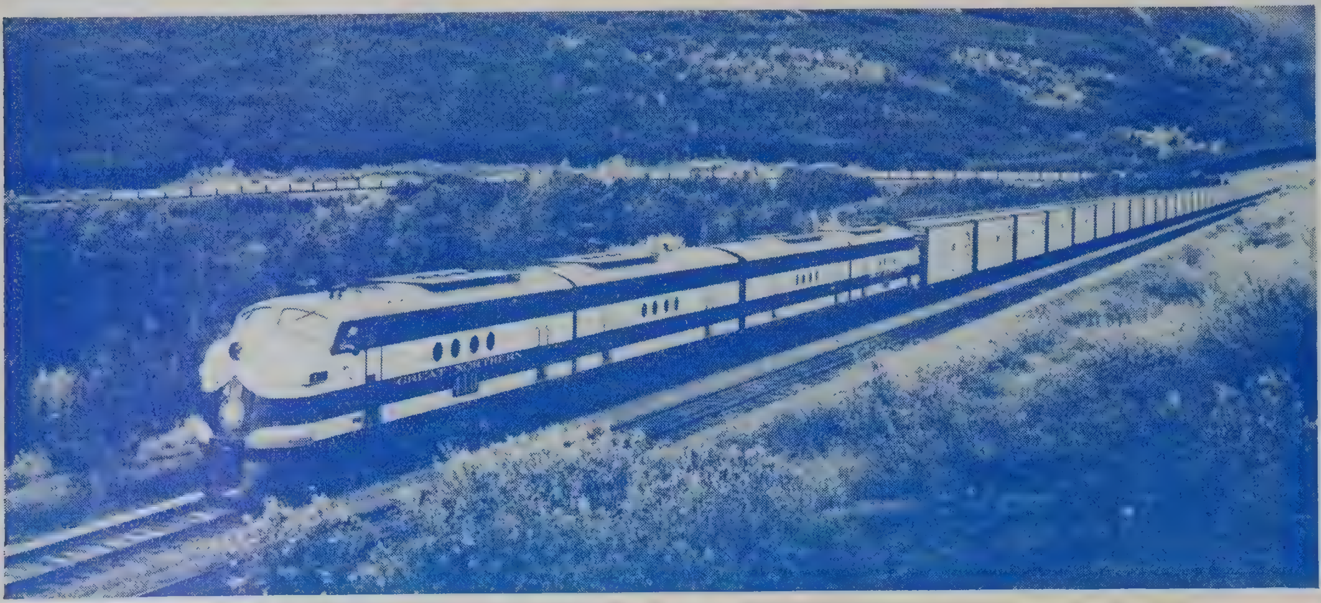
YEARS ago many fire insurance companies confined their operations to a single city or a single state. This practice did not provide an adequate spread of liability and allow for the working of the law of average. In the 1904 con-



ASSETS AND POLICYHOLDERS' SURPLUS OF STOCK FIRE COMPANIES

Year	Assets	Policyholders' Surplus
1896	$ 308,199,658	$ 170,661,931
1900	355,217,963	195,458,915
1905	471,160,971	239,934,692
1910	613,174,773	295,076,893
1915	761,954,390	263,292,442
1920	1,366,665,930	537,685,747
1925	1,861,455,609	807,029,194
1930	2,526,142,428	1,335,142,396
1935	2,240,902,741	1,361,328,327
1940	2,625,755,948	1,501,155,885
1945	3,653,885,472	2,045,161,458

PREPARED BY ARTHUR W. RIGGS



Freight Train at Blacktail, Mont.—Courtesy Home.

flagration in Baltimore nearly all of the local companies were ruined, though the old Baltimore Equitable Society and a few others survived. Today most fire companies have an adequate spread of liability as regards fire risks, and, in addition, enjoy a substantial premium volume from other lines, which frequently help out in a year when other classes are unprofitable. From the point of view of the protection of policyholders this is an important development.

Over the years, particularly in later years, there has been a continuous and large improvement in water supplies, in the efficiency of fire departments and in building codes, as well as on the part of individual property owners in recognizing that self-interest requires their constant and careful attention to the matter of fire prevention in connection with their properties; and there has come about a steadily increasing use of fire preventive and fire fighting equipment. The fire insurance industry can properly take much credit for these improvements. Their constant activity and their success in these directions disprove the silly statement sometimes heard even today that insurance companies prefer to have lots of losses.

Fifty years ago the average fire insurance rate was about $1.70; today it is about 57 cents—a striking achievement, representing a saving each year of many millions to policyholders. The problem of rate making is very complicated, and is now receiving much attention because of the passage of public law 15, placing upon the individual states the burden of efficiently supervising rates in order that they may be non-discriminatory and not excessive, but, at the same time, adequate to preserve the solvency of the companies and give them a reasonable underwriting profit. The whole problem of rate making is unquestionably the greatest now confronting the fire insurance industry. Equity in rate making is enormously difficult to achieve, but great strides have been made toward that goal.

In the old days fire underwriting was almost entirely a matter of personal judgment. Special agents made inspections, quoted rates and adjusted losses, in addition to appointing and educating local agents. Today their duties are very different; they do not make rates and they do not, as a rule, adjust losses. The rate making is done by organizations with trained personnel, and if it would be extravagant to state that this function is now on a scientific basis, it certainly is not extravagant to state that the approach is definitely scientific, based upon analytical schedules and the study of elaborate classification statistics.

IT WAS well along in the last half century that the principle of supervision of fire insurance rates by state authorities was introduced, and this subject is now receiving extremely close study because of the over-turning of 75 years of decisions by the Supreme Court ruling declaring that insurance is commerce, which in turn brought about the adoption of public law 15. Because of the great number of classes of risks insured this is a knotty problem. In general, such laws endeavor to provide that rates shall not be excessive nor discriminatory, and that they shall be adequate to cover losses and expenses and yield a reasonable underwriting profit. We believe that the first such law was enacted in Kansas in 1909, and it was based on the pattern just described. Other states followed. The first rating law in New York state was enacted in 1922.

The fundamental soundness of the insurance industry is vividly demonstrated by its record of survival in the 50-year period, during which the country passed through three wars, four major depressions and many serious conflagrations—all with surprisingly small loss to policyholders. The two greatest conflagrations were those in Baltimore in February, 1904, which cost the insurance companies $45 million, and in San Francisco on April 18-21, 1906, with an insurance loss of about $225 million. There were other conflagrations in which the insurance loss ran up to as much as $13 million.

AT THE beginning of 1898 each of the 246 American owned stock fire-marine insurance companies operated as an independent unit, and no one of them controlled the business and operations of another. In June, 1898, the control of Mechanics & Traders of New Orleans was purchased by National Fire of Hartford; and early in 1899 Citizens of Missouri was purchased by Hartford Fire. These two purchases marked the beginning of the group, or fleet operation plan in this country, which has since been developed on a very extensive scale. Today the companies operating in groups write about 90% of the premiums produced by fire and allied lines. There has been a tendency in the last few years to consolidate some of the smaller companies in the groups, thus reducing the total number of companies in such fleets. Virtually all of the business written by the companies in the major fleets is distributed among all of the participating companies on a percentage basis proportionate to the underwriting capacity of each company, thus giving each one a better spread of liability than it could obtain operating alone. This method of operation also effects considerable savings in expenses. In the long run, these benefits accrue to the policyholders. It is an important fact also that no single fleet controls more than a moderate percentage of the total business of the country.

Many casualty companies have organized or purchased fire running mates, and, on the other hand, many fire companies have similarly entered the casualty field.

Years ago insurance stocks were considered a rich man's investment. Par value was usually $100, and the stock of companies which had accumulated substantial surplus funds sometimes sold for as much as $1,500 per share. In the 20s there was a trend toward sharply reducing par values. One reason for this was the necessity for creating a wider market for insurance stocks. Rising inheritance taxes frequently compelled estates to liquidate stock holdings in a thin market. The most important result of this reduction of par values, however, was that it brought insurance stocks within the reach of the average investor. Today the ownership of fire insurance companies, great and small, is very wide spread.

PROBABLY the most far-reaching event of the last 50 years affecting insurance companies has been the decision of the United States Supreme Court in 1944 that insurance is commerce, and the ensuing passage in 1945 by Congress of public law 15. Prior to 1944—over a period of 75 years in fact—the Supreme Court, in a long series of decisions, had ruled that insurance was not commerce, and that therefore its operations were not subject to the supervision of the federal government. The decision in question reverses all previous decisions. Thereupon Congress, after extended debate, enacted public law 15 and suspended until January 1, 1948 (as respects insurance companies) the operations of the Sherman, Clayton, Federal Trade Commission and Robinson-Patman Acts, except as to acts of boycott, coercion or intimidation, forbidden by the Sherman Act.

This subject is so complicated that it is impossible to discuss it in the space here available, and innumerable articles have already appeared in print dealing with various angles of the matter. It must suffice to state that the insurance industry and the state insurance officials have been working for many months to develop a type of state legislation which will meet the requirements of public law 15 by providing what Congress would consider adequate supervision of the insurance business in the interests of the public.

The following list of some major occurrences affecting fire insurance in the last half century will be of interest:

CHRONOLOGY

1893: General economic depression; just preceded period reviewed.
1896: National Association of Insurance Agents formed. Sprinkler leakage first written by a fire insurance company.
1898: Spanish-American War.
1899: Beginning of fleet operations.
1900: Wild-cat companies of all types flourishing; trading on names of well-known companies and issuing trick policy forms.
1901: First automobile insurance policy designed for that specific purpose.
1904: Baltimore conflagration: Insurance loss $45,000,000. Toronto conflagration: Insurance loss $10,000,000. Strike insurance tried out; short lived.
1905: Conflagration hazard studied by committee of twenty of National Board; New York reported in "very serious condition." Co-operating army engineer said situation was by far the most serious fire conflagration hazard

he had ever seen.
Inception of extended cover.
1906: San Francisco conflagration: Insurance loss $225,000,000.
1907: Money panic: Many banks close; security prices slump; insurance commissioners of 17 states in December suggested that insurance companies be allowed to use December, 1906, valuations.
1908: Chelsea conflagration: Insurance loss $12,000,000.
1909: First rate supervision law enacted in Kansas.
1910: Merritt committee of New York legislature investigates all classes of insurance companies except life. New York law amended to give superintendent of insurance authority over companies in process of organization; nine then organizing.
1911: New York law regarding Lloyds and reciprocal exchanges amended, giving the insurance department greater control.
1914: World War I begins in Europe. Salem conflagration: Insurance loss $12,000,000. Riot and civil commotion insurance first written here.
1916: Paris, Texas, conflagration: Insurance loss $10,000,000.
1917: We enter World War I.
Alien enemy companies banned by proclamation of President.
On November 26 Secretary of Treasury orders liquidation of business of alien enemy companies.
Inception of earthquake insurance.
1918: World War I armistice, on Nov. 11.
Inception of aviation insurance.
American Foreign Insurance Association formed.
1919: Russia confiscates assets of insurance companies of that country; nine of them then operating here.
Insurance found inadequate to cover great increase of values in the recent years.
1920: Post-war depression.
Inception of crop insurance.
Insurance commissioners and company representatives agree on definition of "reasonable underwriting profit."
1921: Depression continues.
1922: Inception of Missouri rate litigation.
1924: Committee on laws and legislation of National Convention of Insurance Commissioners compares American and English systems of writing multiple lines.
1925: Many insurance promotions under way.
1926: Results of ocean marine and war risk insurance during war period (Aug. 1, 1914, to July 2, 1921) compiled; earned premiums over $247,000,000; incurred losses and expenses almost exactly the same.
1927: Tornado in St. Louis causes $7,500,000 insurance loss. Sixteen unlicensed companies writing here, none having any substance.
1928: U. S. Supreme Court decides Missouri rate case on Jan. 3 against companies.
Boom conditions result in many increases of capital of insurance companies.
Wild speculation in all stocks, including insurance stocks.
Mixed claims commission makes awards to insurance companies for illegal sinkings during war; including interest, about $50,000,000.
Forty-five new companies begin business; their capital and surplus, plus increases in old companies, over $170,000,000.
U. S. Aviation Underwriters formed by eight fire and casualty companies Aug. 1.
1929: Stock market crash. Market value shrinkage partly offset by $300,000,000 of new funds paid in during years just preceding. Safety of policyholders not threatened.
1930: Capital and surplus of many companies increased by sale of additional stock.
1931: Many retirements; mostly small companies of recent origin. Loss to policyholders negligible.
Continued decline of quotations for both stocks and bonds. Securities valued in year-end statements at June 30, 1930, levels.
1932: Further large decrease in security quotations to lowest level reached during depression.
RFC loans to 16 fire companies only $12,000,000, of which $10,000,000 was to one company.
Many sharp reductions of capital to increase surplus.
Securities averaged in year-end statements.
1933: Bank moratorium; amazing decrease in fire losses followed.
Averaged security values again permitted.
1934: Fire losses remain low; companies have very good underwriting year.
HOLC insurance plan adopted.
All stocks carried at market in year-end statements.
1935: Convention examinations adopted.
Stocks again carried at market in year-end statements.
1936: New York plans new insurance code.
Losses rise from recent very low levels.
1937: Market values of securities again decline.
1938: Losses and expenses both increase.
1939: New England hurricane causes tremendous loss.
New York insurance code completely revised.
London Lloyds underwriters establish American trust fund.
World War II starts in Europe.
1941: We declare war on Japan and Germany in December.
War Damage Corporation set up.
S.E.U.A. litigation commences.
1942: Enemy action results in large ocean marine losses.
1943: Strong agitation in favor of multiple line underwriting for fire and casualty companies.
1944: Fire rates reduced in many states.
U. S. Supreme Court rules insurance is commerce in S.E.U.A. case.
1945: Congress enacts public law 15.
Germany surrenders unconditionally on May 8; Japan surrenders unconditionally on Sept. 2.
Four states amend laws to permit multiple line underwriting.
1946: All industry committee studies legislation necessary to conform to public law 15.
New York state approves reinsurance of risks of every kind and description except life by fire and casualty companies.

OVERTURE 1897

BY ROY ROSENQUIST

THE depression of 1893 came to an end in the spring of 1897. It was the return to prosperity with an unusual demand abroad for American agricultural products, there was a great increase in our gold reserve and, in March, the Treasury showed a surplus of nine million dollars. It was a year of great activity in the formation of large combinations, despite the Sherman anti-trust act. McKinley was inaugurated into office.

In 1897 the Supreme Court handed down a decision that pooling contracts between railroads was unlawful. Henry O. Havemeyer was tried and acquitted for contempt of court for refusal to answer questions of a Congressional investigating committee. Officials of the American Tobacco Company were tried under the anti-trust act. A beet sugar company was organized in Minneapolis to fight the sugar trust. On December 9, wheat in Chicago sold at $1.09 a bushel, highest since 1891.

Labor was uneasy. On January 8 striking miners at Rutland, Vermont, rioted. March 6, the miners of Leadville, Colorado, voted to end a strike which had begun in June of the preceding year. On strike went 1500 tanners in demand for an eight-hour day, and in New York there were strikes of carpenters, woodworkers, plasterers, garment workers and cloak makers. In July, 75,000 additional men were idle as the union mills of the Amalgamated Association of Iron & Steel Workers closed pending a wage agreement. Bituminous coal miners went on strike. In August, workmen for the Chicago public schools went on strike because the board of education refused to employ union men only. That same month, Judge Collier of the United States court at Pittsburgh granted an injunction restraining striking miners from assembling, marching and encamping with intention to intimidate. In September, 5,000 postmasters walked out in demand for an increase in salary, and 22 men were killed and 44 wounded in a conflict between sheriffs and striking miners at Latimer, Pennsylvania. September 12 saw the end of the coal strike after an agreement was reached for uniform rate of 65 cents per ton. Workers in the cotton mills of Georgia and on the Cornell Dam in New York went on strike. And on Christmas day, 15,000 glassmakers of Indiana who had been on strike returned to work.

The Indians added to the troubles of 1897. There was tribal war among the Piute Indians of California. Indian tribes in Idaho began a ghost dance and the governor requested protection of federal troops. In Oklahoma the Cheyenne and Arapahoe Indians held a war dance and threatened to migrate to Mexico. Agreements were made with the Creeks, Choctaws and Chickasaws.

A patent for the motion picture camera was issued to Thomas A. Edison, who also that year announced the success of his new process for recovering iron in low grade ores.

There was gold in the Yukon. On July 17, the "Portland" arrived at Port Townsend, Washington, with the first large shipment of gold from the Klondike, and the gold rush started. On August 15, nearly 1,000 gold seekers sailed from Victoria, B. C., and 3,000 more were waiting at the entrance to White Pass in Alaska to cross the mountains to the Yukon River. Congress appropriated $200,000 for the relief of the gold-seekers and ordered a military reservation on St. Michaels Island, Alaska, to preserve order.

Bimetallism; control of sealing in the Pacific; deaths of Mrs. John Drew, Charles A. Dana, George M. Pullman and Henry George; the Dingley tariff act; appropriations for relief of flood sufferers in the Mississippi and Rio Grande River Valleys; dedication of the Grant Mausoleum in New York and of the Yerkes Observatory in Williams Bay, Wisconsin; signing of the Greater New York charter; yellow fever in Mississippi; the record of Atlantic crossing of the "Kaiser Wilhelm der Grosse" traveling from New York to Southampton in five days, 17 hours and eight minutes. This was 1897.

Japan presented formal protest to our annexing of Hawaii. Secretary Sherman protested to the Spanish minister against the Spanish methods of war in Cuba which endangered the lives of American citizens. A cruiser was ordered to Honduras to protect American interests.

In England, Queen Victoria celebrated her Diamond Jubilee. The Borgesius ministry in Holland was beginning the passage of much social legislation, such as the improvement of housing and compulsory education for children. France was in the middle of the Dreyfus affair. There was riot and revolt in Portugal in opposition to its notorious Carlos I. Austria and Russia signed an agreement to maintain the status quo in the Balkans. Czar Nicholas II was combating liberal tendencies. The Greeks and the Turks were at war. Germany occupied Kiao-Chow on the Chinese coast and on December 1, the Russian fleet was ordered to proceed to Port Arthur, the first step in its acquisition of that port. The grab for China was on. The Spanish premier, Sagasta, offered the Cubans a large measure of self-government, but they were determined upon complete independence. Lord Kitchener was active in the reconquest of the Sudan. France signed an agreement with Ethiopia. Belgium and Italy and Germany were also trekking through Africa, getting what they could. There was tension in Anglo-French relations arising from the competition for the possession of western Nigeria. On April 6, slavery was abolished in Zanzibar. And there was trouble in Uganda.

In Persia, Britain and Russia were up to their necks in oil. The Afridi clans were uprising in India. The King of Siam, the real founder of modern Siam, paid an extended visit to the capitals of Europe. There was an Anglo-Russian crisis over Korea. Japan adopted the gold standard.

Australia was well on its way to uniting its states and New Zealand established the eight-hour day by law. In the Philippines, the native insurrection led by Emilio Aguinaldo came to an end.

Quiet, peaceful 1897!

Performing the Promise

Loss and Claim Departments, Handling More than $1 Billion a Year, Are Big Business, Public Business, and Are Now Beginning To Be Accorded Their Proper Stature

BY FRANCIS VAN ORMAN

Vice-President and General Counsel

Bankers Indemnity Insurance Company

SIGNIFICANT changes are taking place with respect to the handling of losses and claims by the fire and casualty companies. These are probably the result of a changing attitude towards the side of the business where the insurance promise is performed. The loss and claim people are coming in for a lot of unaccustomed attention these days and if it is true, as often suggested, that they were "sadly neglected" in the past, it is no longer true today.

In this connection I have a few observations to make, but these, it should be remembered, are mostly personal and should be taken as such. There is no place from which one man can take an over-all view of what is going on and there is no industry-wide loss and claim institute to which he can go for information and assistance.

F. Van Orman

One reason for the change of attitude is the awakening to the public relations importance of the loss and claim side of the business; to the fact that what the adjuster does or fails to do has a large bearing on the attitude of the public towards the business; that he makes the most important impression on the public, good or bad. The companies are beginning to think that public reputation can best be re-established through improved handling of losses and claims. If the public is pleased and satisfied with the way losses and claims are handled, the chances are that the public will take a friendly view of the companies.

But just what should we do to improve the handling of losses and claims so that the public will be pleased and satisfied? A ready but too general answer is that we should fully perform the insurance promise in its spirit as well as to the letter. However, before we talk about performance it is necessary to examine the insurance promise and the way in which that promise is sold to the policyholder. When our policyholder goes out to buy a new refrigerator he is able to look at it and judge by the physical evidence at the point and time of sale whether the product fits his needs and whether in comparison with competing refrigerators it is the one which he should buy. After the refrigerator is delivered he can plug it in and the performance starts then and there. There is no lapse of time between the sales promise and the performance. If, later on, the motor fails or the porcelain chips, the breach of performance is clear cut and admits of no dispute. There is no room for misunderstanding between the seller and the purchaser with respect to the performance of the promise.

THE situation is very different when our policyholder buys his policy. He can tell almost nothing from the physical evidence because even though he reads the policy he is probably not qualified to judge it. He must trustfully accept the insuring agreements, terms, conditions, exclusions, special riders and endorsements just as they are handed to him. There is likely to be a wide gap between the time when the policy is sold and the performance is due. In most cases the original policy would have been renewed many times before the company is called upon to perform the promise. The point to remember is that the average policyholder does not really know what he has bought and he is therefore in no position to judge the performance. This leads to a lot of trouble because his ideas on the subject of performance may be at variance with our own and if we expect to please and satisfy him we have probably got to deliver pretty much along the lines of his expectations. We are in a more difficult position with respect to our policyholder than the manufacturer of the refrigerator.

One thing about performance is certain, that is, the promise is not fully performed by the mere payment of the loss, the settlement of the claim, or the satisfaction of the judgment. There is more to the promise than bare protection. The intangibles which make up the rest of the insurance promise are difficult to list and describe but all of us in the business know roughly what they are. Some will include items which others will omit and the difference will be one of the measures by which companies are compared. That is to say, some companies will have more imagination with respect to these intangibles and can expect a better result. The individual adjusters will in many cases provide some of these intangibles. Those with personality, ingenuity and a sympathetic manner are likely to provide more than others who are not as well adapted to the work. The adjuster who is courteous, considerate, sincere and persuasive is likely to convince the policyholder and the claimant that his company is performing according to a high standard.

If the industry had an Aladdin's Lamp, there would be no need to pause to ponder ways and means by which existing loss and claim organizations can be brought up to the mark where they can be counted upon to deliver superior service all along the line. As it is, and without the Aladdin's Lamp, there is a big job ahead for management. It is one thing to subscribe to a set of principles and it is quite another to train an organization in which every man who meets the public will properly apply the principles to each matter in hand. Some organizations will be able to deliver far better than others and the result will be a coming competition between companies as to loss and claim services. Companies even now have started to sell their loss and claim departments. I understand that the agents and policyholders are very receptive to this kind of sales talk, but it had better be realized that not every company that makes these promises will be able to perform. Those who go out on a limb with promises will be hurt by the kick back if they fail to deliver.

The companies must have more and better management men in the loss and claim departments. Traditionally, the top men have been primarily adjusters or lawyers who have come up through the ranks due mainly to excellence in their particular fields. The system is not likely to produce men with management ability and there is not much opportunity for management training or experience, or even much chance to watch management men of the executive department at work. I do not mean to suggest that the departments have failed to produce some first class management men. They certainly have, but these men were produced more by accident than as a result of a plan. One who has not worked in these departments is likely to overlook the fact that the people who work in them are case workers from top to bottom. Everything is pointed to case work. The entire emphasis is on it. As a consequence administrative work has been pushed to the background or just neglected. Case workers are strongly individualistic and left to himself each would do everything according to his own ideas and with no regard to uniformity and as little as possible for method and system. This results in very few management men, and, in my opinion, the need for them is very great. Some companies have recently brought into the departments men of management class, training and experience who never before worked in the insurance business and these men have been outstanding successes. Naturally, they have had to learn the business, but this they have done in a surprisingly short time. This infusion of new blood was necessary to relieve acute shortages for which there was no other immediate remedy. This suggests that the companies have begun to realize the need for such men in the loss and claim organizations, and that something will be done to select and train men with potential as they work up through the departments.

Expense control will have a great deal of executive attention in 1947 and in the years ahead. In the new order of things it will be the efficient companies which lead the pack. They will eliminate every unnecessary burden on the expense portion of the premium dollar. All systems and methods must be viewed in new perspective, and those that hang on because of tradition or habit, or because the man in charge is satisfied with the status quo, must give way where a modern system or method can be more efficient. In this connection the operation of the loss and claim departments can contribute substantially to lowered costs. Clerical expense can be reduced by simplification and modern business machines, allocated loss expense can be reduced by imaginative supervision, and unnecessary pay-

The Early Days in the Field

In Spite of Cinders, Snow, Pay in Kind and Other Discomforts, They Were Wonderful

BY J. A. BAWDEN

IT IS a far cry from the "fireproof" hotels of ye olden cliff dweller to the modern reinforced creation of today. Those folks lived in stone caves, holes in the hills. Yet the hieroglyphics scratched on the stone tablets of ancient history depict no such holocausts in hotels as are headlined in the newspapers of today. Father went out and killed the family meat with a club. When game in the home area grew scarce, he trekked to a nearby location where he set up a temporary habitation of skins, from slaughtered animals, stretched over sticks. When fire ignited the first of these tepees, a naked savage tied up the holes in a wild boar's hide, with thongs, and extinguished the blaze with the skin full of water. Perhaps it was then we commenced to measure a rate differentiation in building materials and the economy and efficiency of fire departments.

Time moves on. THE NATIONAL UNDERWRITER was born. A few years later the writer started as special agent for the Iowa Home of Dubuque, capitalized at $100,000, ($25,000 cash paid in and $75,000 in stockholders' notes; net surplus $27,000). In youthful ignorance and cocky enthusiasm he sought to keep Iowa premium income with the "home folks," the Iowa home folks. He raised this war cry against the "octopi of the east." Heaven, alone, knows where he got that phrase but he used it. His dream was soon shattered. He found out that the Iowa Home was owned by an octopus, the National of Hartford, a staunch member of the "octopi of the east." There were more than a dozen independent Iowa companies in existence then. The majority of them have since been "adopted" by octopi.

Ye olden field men were few in number, with large territories, slow and limited transportation, restricted mail service and few long distance telephone lines. Telegrams were sent through the railroad station agent or often from their switch tower, a mile or two out of town; you walked out and back. If the one-a-day passenger train left at five in the morning or eleven at night you took it or remained an extra day. Often, the caboose of a freight train was a decided advantage; at junction points they often stayed an hour and you did the day's work in that time and climbed back on for the next adventure. And, you hired a horse and buggy very, very often. Occasionally inspections were made on horseback. I once hired a mule to inspect a coal mine. The mule knew more about coal mines than I did.

Family hotels were clean and food homecooked. The so called public hotels usually were operated by some man, too lazy to work, with a wife too proud to cook. The best compliment you could pay them was that some were worse than others. In the morning there was snow all over the room (if it was winter) because the windows fit so loosely. The toilet facilities included only a Chic Sale hut in the back yard, full of flies. It was best to go out there at meal times; then the flies were in the dining room. By special arrangement in the best hotels, one might take a bath in the single bathroom but only a polar bear could stand it. A very few hotels displayed signs, "Open All Night." Others commenced to leave lanterns on the desk and the landlord came down to let you in, dressed in his nightshirt, if you made enough noise to wake him after bedtime.

THE pioneer field man was a multiple operator. He mapped whole cities, made the rates, furnished credit reports, adjusted losses, made inspections, including dwellings, fought legislative battles, built prestige and sold salvage. Who remembers the field man that purchased a stock of fire damaged candy to fatten some pigs he had? He spread the candy in rows in his fields but the bees drove the pigs away. So he buried the sweet stuff in ploughed furrows. The pigs could root it out; the bees lost out. That was typical of the time. If there was no printed rule or established practice, one was improvised. In the early 1900s, the Indiana mercantile schedule (a few years before my time in the field) consisted of 16 pages. We might ask the present day rater if it is easier, now, with several hundred more rules to go by. Certainly the old time method was faster. Man and boy, pioneer field men descended on a city and rated it, completely, in a modicum of the time it takes to establish a single rate today.

The agents were appointed largely by the field men and some by mail. The agent learned the business mostly by trial and error. The late Charles J. Richman, who spent many years as a field man for Continental and American in Indiana, started as an agent in the village of New Palestine, near Indianapolis. He studied dwelling rates, since the field man told him that was all he would get, at first. However, his first prospect was

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ments can be more nearly eliminated. The handling of subrogation and salvage recoveries can stand some constructive attention.

The size and growth of the fire and casualty business is stated in terms of premiums written, and properly so. I think it also should be stated in terms of an over-all industry total of incurred losses and loss adjustment expense. You may be surprised to know that the total for 1946 is well over $1 billion. This tremendous expenditure is administered by the loss and claim departments. Their business is really big business in the broadest sense of that expression.

But the attitude of the companies towards these departments has rarely reflected an appreciation of the fact just stated. The executive department has not been interested except to keep a weather-eye on the twin barometers of loss ratio and loss expense ratio, and to take off the figures for the annual statement. The loss and claim departments have been allowed to run by themselves, as separate entities in a world apart. The management talent of the executive department has been rarely applied to the loss and claim side of the business. However, there is evidence that the old attitude is changing.

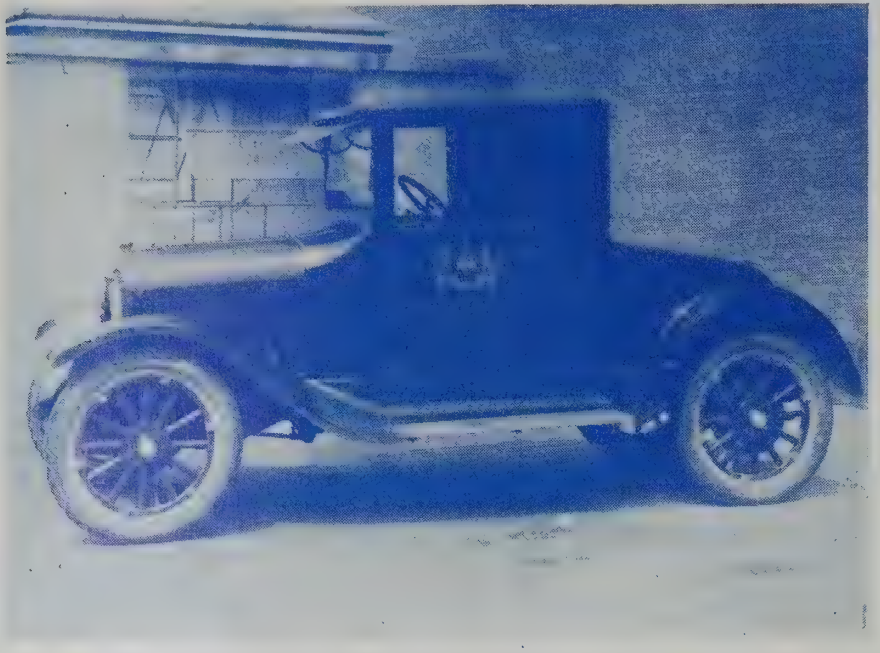
The executive department is showing new interest, and with good reason. The annual expenditure of $1 billion dollars obviously deserves the attention of top executive talent. An evidence of this new interest is the assignment by some companies of an executive officer to supervise the general administration of the loss and claim departments, to coordinate the work with that of other departments, the agency and underwriting departments in particular, to make sure loss and claim people are in step with over-all company plans and policy. This is a step in the right direction, one that will be followed by other companies.

There have been some moves in the direction of integrated loss and claim organizations. An example is the gradual development of the Fire Companies Adjustment Bureau as a casualty claim adjusting organization. Originally a loss adjusting bureau for the fire companies, it now services casualty companies at many locations. In effect, it is a combined loss and claim organization. This portends similar action by other companies with respect to their own loss and claim departments.

As a matter of fact, automobile losses of the fire companies have in a great number of cases been handled for years by the claim departments of the casualty affiliate. Recently one of the largest fire companies which has heretofore handled its own automobile losses, turned them over to its casualty affiliate. With combined auto policies in the ascendancy this makes good sense. The combined policyholder should not be subjected to two sets of adjusters in the handling of one accident, and the companies need the saving that flows from the elimination of double handling.

At year end two other large groups took the first step in what may lead to integration of company loss and claim departments. In the case of each, there was a joinder at the top. In the one, a single executive was put in charge of both departments, and in the other the three top loss and claim executives were welded into one management group to operate both departments.

New conditions and new ideas in the industry have brought about a change of attitude and a change in thinking toward the loss-claim many aspects against the new standard of public interest. The recognition that good will can best be built through improved handling of losses and claims points up the need for men with fresh viewpoints and management ability. Because the public knows more about insurance companies than ever before, it is awakening to the kind of service it should receive and there is greater pressure for fair and prompt payments with courteous and considerate treatment. The day has come when the loss and claim departments cannot be taken for granted nor viewed as routine disbursing agencies. The insurance companies are more and more regarded as quasi-public utilities, the emphasis being on the social aspects of insurance. It is in the loss and claim departments that the social aspects become realities and this is shown by the standard comparisons which are made between the state funds and the companies with respect to workmen's compensation insurance. The competition between companies has settled down as to commissions, rates and policy forms and is now starting up with respect to loss and claim service. The selling approach now includes the selling of those services. All of this is to the good. The business is moving ahead to keep function. It is being tested in its abreast of the times and to meet the challenge of the post-S.E.U.A. era.



Car used in 1923 by N. S. Treleaven, who traveled Ohio for Camden Fire.—Courtesy Camden.

Progress of Stock Fire Insurers of Over 50 Years

Company		Capital	Admitted Assets	Net Surplus	Net Prems. Written
Aetna Ins. Co.	1945	7,500,000	79,228,657	27,793,706	36,452,072
	1896	4,000,000	11,431,184	3,849,988	3,783,330
Agricultural	1945	3,000,000	21,285,159	6,774,219	9,015,451
	1896	500,000	2,332,245	360,295	1,059,902
Albany	1945	1,000,000	3,751,899	1,747,766	745,537
	1896	250,000	461,171	126,368	104,923
Allemannia	1945	1,200,000	6,975,297	2,858,030	2,176,032
	1896	200,000	449,735	108,444	198,402
American Alliance	1945	3,000,000	12,574,923	5,692,727	3,404,362
	1896	200,000	306,250	105,805	......
American Central	1945	1,000,000	8,972,516	3,731,247	3,402,197
	1896	600,000	1,669,244	293,584	811,113
American, N. J.	1945	3,343,740	58,406,126	20,494,215	24,593,831
	1896	600,000	2,749,152	1,606,414	525,118
American Fire, D. C.	1945	200,000	752,295	423,042	65,902
	1896	100,000	245,143	135,428	19,431
Atlas Assurance	1945	......	9,605,041	3,773,413	4,363,393
	1896	......	1,005,799	523,656	607,685
Birmingham Fire, Pa.	1945	1,000,000	2,673,629	1,254,626	251,969
	1896	200,000	316,254	89,537	24,256
Boston Ins. Co.	1945	3,000,000	32,527,621	18,640,686	7,194,393
	1896	1,000,000	2,775,519	1,149,294	934,557
British America	1945	......	3,322,860	2,335,776	740,962
	1896	......	1,191,712	452,405	1,104,120
British & Foreign	1945	......	6,338,387	3,197,723	2,180,226
	1896	......	1,551,334	756,747	1,705,129
Buffalo	1945	1,000,000	7,984,498	3,006,776	3,067,792
	1896	200,000	1,870,281	1,301,650	395,235
Caledonian	1945	......	5,406,437	1,404,950	3,005,641
	1896	......	2,101,184	922,322	1,230,699
Camden	1945	2,000,000	19,009,939	6,293,634	9,199,706
	1869	105,730	275,163	114,605	25,020
Capital, N. H.	1945	202,400	553,164	279,325	49,311
	1896	200,000	411,245	30,561	179,843
Carolina	1945	500,000	3,262,928	1,426,503	1,140,907
	1896	50,000	70,836	10,794	13,594
Columbia, Ohio	1945	1,000,000	4,586,924	2,428,940	935,312
	1896	150,000	386,480	130,219	88,788
Commerce	1945	1,000,000	7,017,301	2,875,087	2,336,967
	1896	200,000	395,151	87,222	141,682
Commercial Un., Eng.	1945	......	19,148,371	8,613,336	8,278,354
	1896	......	3,417,710	1,162,838	2,594,035
Commercial Un., N. Y.	1945	1,000,000	4,073,756	989,050	1,641,345
	1896	200,000	251,696	23,737	43,999
Commonwealth	1945	1,000,000	9,405,586	4,802,096	2,711,681
	1896	500,000	841,575	223,616	188,861
Concordia	1945	1,000,000	5,981,590	1,748,640	2,440,251
	1896	200,000	803,468	160,602	426,243
Connecticut Fire	1945	2,000,000	30,761,523	17,893,404	8,516,350
	1896	1,000,000	3,300,017	668,331	1,724,852
Continental	1945	20,000,000	159,197,231	95,139,394	31,835,795
	1896	1,000,000	7,776,347	2,564,219	3,445,828
County Fire	1945	1,000,000	3,449,974	1,417,182	852,651
	1896	400,000	871,506	155,561	117,617
Detroit F. & M.	1945	1,000,000	5,291,125	2,580,840	1,516,712
	1896	500,000	1,268,972	584,224	236,639
Dubuque F. & M.	1945	1,000,000	6,747,386	1,642,640	3,362,979
	1896	100,000	341,557	172,697	75,771
Equitable Fire, S. C.	1945	300,000	1,494,564	852,850	279,790
	1896	108,945	125,048	5,771	12,820
Equitable F. & M.	1945	1,000,000	9,436,305	6,279,725	1,703,270
	1896	300,000	676,194	141,172	294,997

a blacksmith shop. Yes! You have guessed it. He sent this application to the Continental at dwelling rates. Policies were as large as newspapers and usually hand written. Even the forms were handwritten in the individual language of the respective agent. It was not uncommon to find coverage under one item as "the building painted red" and the second item covering "the big square building." The old time agent, too, had to improvise and he did a grand job.

These agents adjusted many losses and most of them were close adjusters in spending the companies' money. Naturally differences occurred. One company adjuster denied liability for broken windows under windstorm policy because hail caused the damage. Not to be outdone the agent started attaching endorsements to policies including damage caused by hail "when falling in a slanting direction." These agents were not blessed with a drawer full of fancy forms such as reporting forms.

As a boy, in an insurance office at Davenport, Iowa, I had to help on one large line. It included three grain elevators. Grain was loaded in and out at all hours of the night. We had no grain reporting form. Frequently I was called at midnight and told to increase grain in Elevator A by $20,000 and reduce coverage in Elevators B and C in amounts specified. All I had to do was write it down, put it in an envelope addressed to the agency, get on my clothes and walk a block to drop the stamped advices into a mail box. It did not reach our office till the next day but it was irrevocably bound.

Time moves on. Transportation and all needed facilities speeded up. Interurbans fanned out country wide. Acceleration was the watchword. Yet one field man woke up in an interurban, one night, to find himself marooned in the country with electric current off and already late. When the current came on he looked up and added his own words, in reading the sign displayed in most interurban cars, "No Dust, No Dirt, No Cinders"—"Oh hell!" Then came the automobile. Today you wait for a competitor to pull his car away from in front of the agent's office so you can park. When you come back from the agency office another competitor is honking for you to give him your parking space.

TODAY, some of the forms and clauses originally used seem odd to us. The three quarter loss clause was one of the queer ones. Some old farm policies included provisions that if threshing was being done on the premises, white hickory wood only would be used to fire the engine. It sparked less than some other fuel. Also, that a ladder must be in place against the barn, during threshing, to extend at least a foot above the roof. Incidentally the trend in clauses then was to hold insurance down, now coinsurance is used to hold it up.

Though Indiana is only my adopted state, it is apparent that through the years an impressive list of men have graduated from this state to executive positions with companies. Considering the few home companies domiciled in Indiana, this list is one of length and strength.

Long ago there were no audit bureaus, no uniform forms, no licensing of agents, no 40 hour weeks and weekly half holidays or five day weeks. People worked whatever hours the business required, either day or night. Trips of two or three weeks and more were the rule rather than the exception in field work. Adjusting bureaus or their predecessors operated only in metropolitan areas. Neither did the assured expect the arrival of an adjuster before the smoke had cleared away. Loss processes, like everything else, followed a deliberate course.

There was no monkey business in attending to loss settlements, unless you consider the following claim. Under a policy covering furniture, fixtures, stock, and coin operated machines (these last individually mentioned in policy), assured demanded $100 for the death of his trained monkey. The monkey made balloon ascensions and parachute leaps to advertise assured's business. The monkey was strapped to the parachute, and the parachute was attached to the balloon by a time fuse. The balloon had to go up, and when the time fuse burned out the parachute had to come down with the monkey still attached to it. From one of these trips the monkey failed to return in toto. The claim for the loss of the monkey was not paid.

Today is said to be the age of speed. Yesterday—the horse and buggy; today—the automobile; tomorrow—who knows? To older field men, present comparisons suggest his earlier life was terrible, fearful, awful. Yet, we loved it. Reminiscences indicate that deep in some of our hearts is a faint nostalgia for ye olden days when we did not move with the speed of rockets and those things you bought were on top of the counter, not underneath it.

James A. Bawden is state agent of Springfield Fire & Marine in Indiana. He started in business at age 18 as office devil in Snider & Son agency, Davenport, Iowa. Entering the field at age 21 he successively served Iowa Home of Dubuque, in Iowa and Illinois; Northwestern Underwriters in Illinois and Indiana; O. C. Kemp General Agency in Illinois; then Security of New Haven, followed by National of Hartford in Indiana. Later he spent 16 years with American of Newark in Indiana and for the last 11 years he has been with the Springfield Group.

He went to the Springfield Group to help John H. Hellekson and succeeded him when he retired. Mr. Hellekson answered an ad in the Chicago Tribune for an office boy when he was 15 years old and secured the job in the western department of Springfield at Chicago. After ten years he went to Indiana as state agent and remained in the harness in Indiana 56 years. He spent 66 years in service of the Springfield. He had one job during his entire life. He died three years ago. During the last several years of his employment he was not very active yet came to the office at least one half of each day and kept a constructive finger on what was going on.

Company		Capital	Admitted Assets	Net Surplus	Net Prems. Written
Eureka-Security	1945	1,000,000	9,136,264	2,685,484	3,909,787
	1896	100,000	295,534	84,430	108,295
Farmers, Pa.	1945	......	3,851,959	2,360,712	1,062,040
	1896	......	683,660	324,133	359,344
Fire Association	1945	2,399,974	32,064,589	13,976,766	11,365,294
	1896	500,000	5,923,124	1,001,332	2,593,144
Fireman's Fund	1945	5,085,970	98,595,273	40,739,376	36,187,229
	1896	1,000,000	3,527,653	1,104,726	1,627,764
Firemens, N. J.	1945	9,397,690	54,848,473	13,686,065	20,916,434
	1896	600,000	2,148,969	1,245,159	326,459
Firemens, D. C.	1945	300,000	1,268,410	555,265	220,438
	1896	200,000	274,043	44,036	23,958
Franklin Fire	1945	3,000,000	26,917,554	11,600,556	9,418,182
	1896	400,000	3,105,442	1,070,128	450,737
Georgia Home	1945	500,000	3,330,455	1,342,666	1,200,358
	1896	300,000	1,080,513	297,956	291,456
Girard F. & M.	1945	1,000,000	6,412,691	1,721,252	2,427,124
	1896	300,000	1,982,790	644,181	466,645
Glens Falls	1945	2,500,000	34,668,391	12,545,644	13,242,815
	1896	200,000	2,888,596	1,702,660	878,170
Granite State	1945	1,000,000	5,835,279	1,866,155	2,346,393
	1896	200,000	436,529	41,548	322,905
Great American	1945	8,150,000	73,130,739	38,153,578	21,303,406
	1896	1,000,000	7,070,423	3,007,008	2,634,101
Hamilton Fire	1945	250,000	1,052,705	434,588	201,045
	1896	150,000	306,009	77,742	100,091
Hanover Fire	1945	4,000,000	28,491,467	9,959,055	9,773,300
	1896	1,000,000	2,595,802	289,134	1,514,870
Hartford Fire	1945	12,000,000	175,424,331	92,646,091	61,266,768
	1896	1,250,000	10,004,697	3,264,392	5,790,788
Home F. & M.	1945	1,000,000	14,242,704	5,552,306	5,970,008
	1896	300,000	881,690	339,616	298,960
Home, N. Y.	1945	15,000,000	172,203,601	70,066,859	74,559,648
	1896	3,000,000	10,362,224	2,346,269	4,708,307
Illinois Fire	1945	250,000	1,929,269	1,023,848	478,086
	1896	200,000	424,603	99,858	108,991
Ins. Co. of N. A.	1945	14,938,610	198,590,258	123,907,313	42,778,635
	1896	3,000,000	9,868,808	2,319,774	5,553,508
Ins. Co. State of Pa.	1945	1,000,000	5,661,841	2,077,190	1,805,070
	1896	200,000	767,101	110,031	302,025
Lafayette Fire	1945	300,000	1,487,116	933,103	137,859
	1896	150,000	288,829	70,000	72,089
L. & L. & G.	1945	......	24,837,202	9,001,646	11,908,337
	1896	......	9,339,545	4,093,460	5,370,687
London Assur.	1945	......	12,553,796	5,925,513	5,200,489
	1896	......	1,700,319	841,185	916,745
London & Lancashire	1945	......	8,850,229	3,399,124	3,683,715
	1896	......	2,726,613	1,022,262	1,750,496
Lumbermens, Pa.	1945	1,000,000	6,737,669	3,195,995	1,727,889
	1896	250,000	1,148,946	501,037	173,716
Marine Ins. Co.	1945	......	8,506,739	4,940,624	2,611,018
	1896	......	607,425	485,277	241,844
Mechanics & Traders	1945	1,000,000	7,379,794	4,119,788	1,666,535
	1896	317,500	509,170	4,431	262,350
Mercantile	1945	1,000,000	8,901,826	4,515,291	2,679,046
	1896	200,000	......	......	......
Michigan F. & M.	1945	1,000,000	6,035,079	1,992,998	2,632,223
	1896	400,000	810,808	170,326	280,751
Millers National	1945	......	8,033,303	2,962,455	4,531,749
	1896	......	1,582,621	391,261	279,321
Milwaukee Mechanics	1945	2,000,000	15,712,261	4,953,234	6,623,537
	1896	200,000	2,400,367	1,253,726	960,012
National Fire, Conn.	1945	5,000,000	65,260,418	29,686,580	22,434,122
	1896	1,000,000	4,120,260	1,037,580	2,254,241
National Liberty	1945	4,000,000	26,445,635	15,440,032	8,714,266
	1896	1,000,000	3,944,751	1,532,626	1,094,131
National Union, D. C.	1945	300,000	584,725	178,860	56,559
	1896	100,000	270,363	148,747	33,155
Newark Fire	1945	2,000,000	14,063,222	5,379,297	4,814,450
	1896	250,000	616,874	268,768	156,109
New Brunswick	1945	1,000,000	6,276,379	2,379,255	2,359,830
	1896	50,000	126,938	73,758	3,154
New Hampshire Fire	1945	3,000,000	22,606,017	9,198,380	7,422,638
	1896	900,000	2,581,210	624,347	1,056,895
Niagara	1945	2,000,000	39,042,638	26,944,117	7,989,875
	1896	500,000	2,466,096	478,165	1,563,721
North British	1945	......	18,322,773	6,868,703	8,724,648
	1896	......	4,067,361	1,883,287	2,345,618
No. Carolina Home	1945	500,000	1,557,137	1,035,637	......
	1896	......	152,345	......	......
Northern Assur.	1945	......	11,241,866	2,735,786	6,165,357
	1896	......	2,009,172	845,529	1,136,018
North River	1945	2,000,000	33,590,199	18,748,489	9,083,581
	1896	350,000	742,028	201,862	254,636
N. W. National	1945	2,000,000	22,335,032	11,438,261	5,829,728
	1896	600,000	2,103,058	592,708	778,029
Norwich Union	1945	......	7,651,522	1,454,397	4,219,539
	1896	......	2,229,998	873,542	1,512,745
Ohio Farmers	1945	......	9,361,237	4,389,018	4,036,218
	1896	......	1,042,487	110,178	531,178
Orient	1945	1,000,000	7,476,469	3,197,085	2,501,494
	1896	500,000	2,278,730	562,165	1,337,055
Pacific Fire	1945	1,000,000	10,216,984	4,000,534	4,197,237
	1896	200,000	773,794	228,844	373,070
Palatine	1945	......	3,719,112	2,287,180	1,145,953
	1896	......	2,851,545	929,426	2,247,450
Pennsylvania Fire	1945	1,000,000	19,115,796	9,621,770	6,018,442
	1896	400,000	4,759,025	1,966,450	1,715,193
Phoenix Assur., Eng.	1945	......	8,764,169	2,724,675	4,725,025
	1896	......	2,855,219	979,049	2,032,645
Phoenix of Hartford	1945	6,000,000	81,187,140	56,389,665	14,112,809
	1896	2,000,000	5,377,818	720,836	2,952,792

The National Association of Insurance Brokers

BY ALLEN T. ARCHER

IT is with a great deal of pride that I tell in as brief a manner as possible a few facts about the National Association of Insurance Brokers. The association was born in 1934, and suffered all the childhood diseases. But, being of good blood, it overcame them. It became a normal, healthy child, and did its chores well, perhaps no better or worse than children in other families.

When, in recent years, business as a whole began to awaken to the need for telling the public its story, those in our business who have always held public service foremost in their minds, and whose function in the business it is so to do, recognized that more than ever before, there ought to be an organization of their creation, which would be the spearhead of public interest. No other organization then in existence could meet that requirement. Some were old and tired. Some were dominated by such special interests that their vision could not be sufficiently broad. Some were so tied to their mothers' apron strings that they lacked self-will or the prospect of standing firmly on their own initiative, resolute to their purpose.

The healthy child was the answer. Its wise counsellors knew that it was uninhibited. They knew it had the power of youthful energy, came of good blood, had received sound training in youth, and could attach itself to a purpose of public service and interest. At their urging it dedicated itself to that purpose.

How is it doing? We think and the public thinks it is doing fine, meriting the confidence placed in it.

We have a small but youthful and energetic staff. Its key men are Elmer Warren Sawyer, as counsel and executive director; William Norris, Jr., field secretary, and George H. Ort, secretary. All have practical experience in the

Company		Capital	Admitted Assets	Net Surplus	Net Prems. Written
Potomac	1945	1,000,000	7,421,367	1,848,737	3,849,384
	1896	75,500	215,402	131,341	15,084
Providence Washing'n.	1945	3,000,000	23,757,772	9,502,281	10,040,842
	1896	400,000	1,554,116	229,556	1,211,555
Queen	1945	5,000,000	32,038,885	9,860,842	12,355,523
	1896	500,000	4,349,391	1,913,534	2,018,759
Reliable, Ohio	1945	500,000	1,790,207	558,751	514,133
	1896	100,000	497,229	313,956	77,036
Reliance, Pa.	1945	1,000,000	5,517,275	2,851,659	1,178,195
	1896	300,000	973,295	255,855	300,023
Reliance Marine	1945	......	1,643,372	950,158	368,116
	1896	......	386,151	314,023	185,853
Royal	1945	......	28,995,492	11,969,896	12,756,739
	1896	......	7,481,312	2,354,657	4,745,632
Royal Exchange	1945	......	8,244,766	2,898,656	3,962,906
	1896	......	789,973	571,448	263,806
St. Paul F. & M.	1945	10,000,000	67,046,155	32,687,978	21,902,156
	1896	500,000	2,252,317	673,934	1,436,317
Scottish Un. & Natl.	1945	......	9,443,698	3,864,740	4,181,106
	1896	......	3,681,119	1,555,710	2,324,679
Security Fire, La.	1945	500,000	1,977,074	890,763	553,797
	1896	100,000	189,914	92,039	64,505
Security, New Haven	1945	2,500,000	19,553,562	7,501,461	7,514,400
	1896	200,000	755,666	123,258	524,087
Springfield F. & M.	1945	5,000,000	48,680,249	17,770,969	22,376,914
	1896	1,500,000	4,105,375	885,430	1,816,502
Standard, N. J.	1945	300,000	4,002,890	1,685,228	1,192,802
	1896	100,000	214,309	45,078	65,766
Standard Marine	1945	......	6,835,684	3,938,368	2,482,559
	1896	......	411,464	243,359	507,411
Star	1945	1,000,000	8,398,560	3,698,206	3,556,165
	1896	200,000	250,000	50,000	......
Stonewall	1945	150,000	548,982	282,709	......
	1896	150,000	230,049	64,433	20,100
Stuyvesant	1945	500,000	1,378,201	430,125	279,000
	1896	200,000	266,401	22,672	55,593
Sun, Eng.	1945	......	9,823,526	2,406,919	5,256,125
	1896	......	2,641,519	1,027,700	1,557,676
Switzerland General	1945	......	3,085,274	1,505,332	1,442,938
	1896	......	255,998	244,434	158,083
Thames & Mersey	1945	......	3,857,992	1,977,520	1,216,972
	1896	......	610,585	427,085	359,963
Union Assur., Eng.	1945	......	2,902,883	1,465,985	1,145,953
	1896	......	1,211,497	653,324	914,623
Union Marine & Genl.	1945	......	4,516,835	2,109,370	1,455,217
	1896	......	595,494	490,702	204,615
United Firemen's	1945	1,000,000	4,902,414	1,261,288	1,739,628
	1896	300,000	1,426,021	202,569	269,569
U. S. Fire	1945	2,000,000	52,655,097	27,968,382	15,406,161
	1896	250,000	677,553	154,058	293,520
Utah Home	1945	600,000	3,648,450	1,079,105	1,746,782
	1896	250,000	284,973	4,029	53,587
Virginia F. & M.	1945	1,000,000	4,013,682	1,369,540	1,446,252
	1896	250,000	703,444	125,943	347,629
Westchester	1945	1,000,000	29,438,943	14,134,029	9,726,947
	1896	300,000	2,241,054	703,389	1,276,062
Western Assur., Ont.	1945	......	5,875,090	3,239,432	2,066,955
	1896	......	1,636,689	547,731	1,724,403

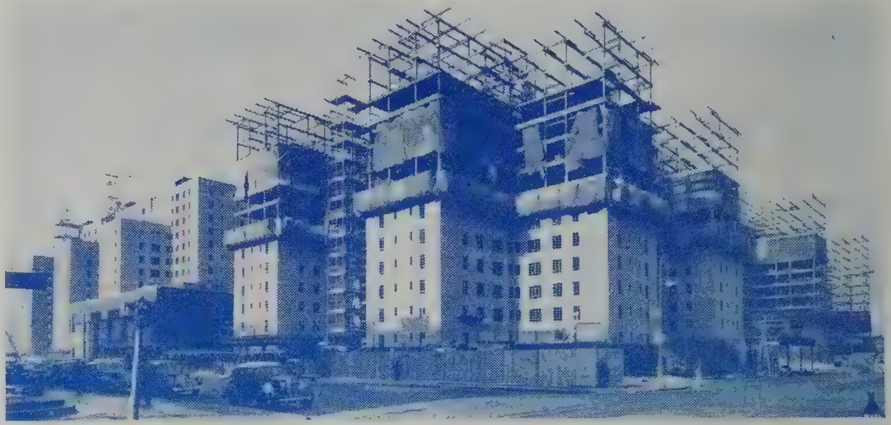
Insurance Funds in Housing

BY GUSTAVE ZISMER

HOUSING PROJECTS, METROPOLITAN LIFE

THE three "suburban" communities (Stuyvesant Town, Peter Cooper Village, Riverton) which Metropolitan Life is building in the borough of Manhattan for 12,482 families, or about 35,000 persons, are now taking shape on land which for many years was burdened with tenements and shabby industrial buildings. Stuyvesant Town and Peter Cooper Village have obliterated the "gas house district," long an ugly spot close to the East River. Riverton is presenting Harlem with a rare spectacle, the construction of apartment buildings for modern living.

Six thousand men labor on the three sites and their number grows weekly. In offices elsewhere, administrative staffs are being trained to receive the first tenant families some six months hence. Scores of other company employes daily interview hundreds of persons who have written in for apartments.



Building in the new Stuyvesant Town being bricked in. This development is an 18-block area bounded by 14th and 20th streets, First avenue and East River drive, New York City.—Courtesy Metropolitan Life.

By train, by barge, by truck, 60,000 tons of steel are being hauled to the three sites. Barges float down the Hudson River with millions of bricks. In distant cities the refrigerators, bathtubs, kitchen sinks, showers and gas stoves required are being manufactured and soon will ride to New York on lines of freight cars.

The wires hum between the Metropolitan tower (which contains the board of design and the offices of housing projects) and the several offices of Starrett Brothers & Eken, Inc., general contractors for the three jobs. Communication is almost constant between the Starrett offices and those of the various subcontractors. Steel is high overhead on all three sites, some buildings have been bricked in and there is every indication that a substantial number of apartments will be ready for occupancy during the present year.

Stuyvesant Town is being built for 8,755 families of moderate income (about 24,000 persons) on the 18 blocks bounded by 14th and 20th streets, First avenue and Avenue C (East River). Peter Cooper Village will occupy the seven block area bordered by 20th and 23rd streets, First avenue and Franklin D. Roosevelt drive immediately to the north of Stuyvesant Town and accommodate 2,495 families (about 6,700 persons). Riverton occupies the six Harlem blocks bounded by 135th and 138th streets, Fifth avenue and the Harlem River and will house 1,232 families (about 3,500 persons). All three are the product of a board of design, composed of Gilmore D. Clarke, chairman; Irwin Clavan, chief architect; Henry F. Richardson, George Gove and Andrew J. Eken.

The housing already built by the company (Long Island City, Parkchester, Parkfairfax, Parklabrea, Parkmerced) combined with that now being constructed for completion in 1947-1948 (Stuyvesant Town, Riverton, Peter Cooper Village) represents an investment of over $200 million and modern homes for over 31,000 families or about 100,000 persons. This housing is distributed as follows:

Location	No. of Apartments
Long Island City, New York (Queens)	2,125
Parkchester, New York (Bronx)	12,272
Parkfairfax, Alexandria, Va.	1,684
Parklabrea, Los Angeles	1,316
Parkmerced, San Francisco	1,687
*Stuyvesant Town, New York (Manhattan)	8,755
*Riverton, New York (Manhattan)	1,232
*Peter Cooper Village, New York (Manhattan)	2,495
	31,566

*Under construction.

IN EACH instance the decision to build was based upon a desire for permanent investment that would possess public value. The housing constructed furnished many jobs for men in the building trades and in manufacturing. It gave to thousands of families of moderate or middle income the opportunity of living in almost suburban atmosphere close to business centers. It functioned effectively during the war, providing homes for defense workers as well as for members of the armed forces.

The desirability of the communities now under construction in Manhattan has been enhanced by other circumstances. They have obliterated outmoded districts. They have brought about the demolition of hundreds of tenements and other ramshackle buildings close to midtown. They will revive residential values which lie in the land and help check the movement of families to outer sections. They will provide modern apartment homes for thousands of war veterans who need them.

Walk-up apartment buildings which the company built in Long Island City shortly after the first world war are still functioning satisfactorily, not only from the standpoint of public use, but of investment to the company. The shortage in housing which materialized at that time evoked the concern of Governor Alfred E. Smith and the state legislature and was followed by action. The insurance law of the state was amended to allow life companies to invest in housing to rent for an average of $9 a room monthly. To make this moderate rent possible, municipalities were empowered to exempt new buildings (but not the land) from taxation for ten years.

Metropolitan thereupon constructed 54 walk-up buildings (2,125 apartments) in conformity with advanced standards and opened them for occupancy in 1924. All were immediately rented and for years thereafter were fully occupied. Tax-exemption expired in 1932 but the buildings now rent for $8.35 a room and have had waiting lists for several years.

From the standpoint of new con-

National Association of Insurance Brokers

business. They also afford a combination of legal ability, experience in and with government, talent for self-expression, and soundness in thinking that breeds confidence in them.

We have a directorate exemplary of the best insurance minds in our profession from California, Illinois, Missouri, Massachusetts, New York, and Pennsylvania.

We have a governing committee on whom, with the aid of the directors, every member of the insurance brokerage profession can depend to direct the association's efforts in their interest and for the interest and protection of their clients.

We have a newly established office, at 79 John street, New York, to which any member may go for special information about any matter engaging the insurance world on a national basis, or, through our widely diffused membership, about any local matter. Out of town members, visiting New York, may use the office as their business headquarters while transacting affairs in the New York insurance district. Constantly to it are coming requests for advice from state and national legislators, heads of smaller producer groups throughout the country, both members and non-members, individual producers, state administrators of insurance, members of the bar, and company officials.

ANYONE in the insurance business knows that, in the customary way of successful business men, we have taken first things first. A great part of our time and effort in this past year (and doubtless in the coming year as well) has been devoted to the matter of gravest import—to what extent will government regulate, perhaps even operate, the insurance business? Is it better that people should devote themselves to having states enact measures which will result in the business being run by combinations, employing monopolistic practices with the support of insurance officialdom? Or shall we seek an expansion of competition in the business? How will the needs of the public, whose interest must always be paramount, best be served?

Can there be doubt as to the rightful course? I have said before, and I repeat it, and will hope that thousands will join in the creed: We have such an abiding faith in the rightness of relatively unfettered competition that we are determined to oppose with all our effort any attempts to foist its opposite on the public in any disguise.

Allen T. Archer operates a well known brokerage firm under his own name in Los Angeles. He has long been active in broker's association affairs and last year was head of the National Association of Insurance Brokers.

struction, the year 1938 differed little from the years which immediately preceded it. Few new residential or business buildings were being constructed. The percentage of unemployment in the building trades was high. As usual, families of average income were finding it difficult to obtain satisfactory accommodations at rentals they could afford to pay.

On April 8, 1938, Frederick H. Ecker, chairman of Metropolitan, issued a statement that attracted national attention. He announced the company's resolve to build Parkchester on 130 acres in the borough of the Bronx for 12,272 families. The state legislature again had amended the insurance law, this time to allow life companies to invest up to ten per cent of their assets in needed housing.

Metropolitan proposed to build a virtually self-contained community (apartments, theater, garages, stores, park and tree areas, paths, recreational sections) along one of the subway routes to Manhattan. The plan was predicated upon the payment of full taxes to the city.

Steam shovels shuttled over the land in 1938 and the first families moved in during 1940. When the United States entered the war in 1941 Parkchester was practically completed. Since 1943 all of its apartments have been occupied at rentals which range from a minimum of $32 to a maximum of $71, gas and electricity included. It has a population of about 35,000 persons. A large percentage of its residents are veterans and literally thousands—veterans and civilians—await the opportunity to move in. Last year it paid taxes on an assessed valuation of over $51 million.

THE entire neighborhood has been stimulated to improvement and growth by its presence. New store buildings stand close to its borders. Old buildings have been rehabilitated. A large church has been added to those already in existence; two more are planned. New buildings include a bank branch and a motion picture theater, both close to Parkchester.

In the period between 1941 and 1944, Metropolitan, under Mr. Ecker's direction, built three more communities in a new and interesting application of the principle of apartment living. They are Parkfairfax, designed for 1,684 families on 200 acres in Alexandria, Virginia, outside Washington; Parkmerced for 2,531 families on 200 acres in San Francisco, and Parklabrea for 2,620 families on 173 acres in Los Angeles. As in the case of Parkchester, each plan was a complete expression of private enterprise and provided for full payment of taxes.

In each case the land was acquired in one piece at reasonable cost. Picturesque two-story buildings were set among acres of lawns. (In Parkfairfax, buildings occupy less than 10% of the land.) In all three communities extensive use was made of the duplex apartment with living room and kitchen on the street level and bedrooms and bath above. Living rooms open on inner grass and garden areas. Kitchens face traffic streets.

These communities were planned to meet pressing housing need. Parkfairfax, located but a short distance from Washington's enormous Pentagon building, went ahead with governmental encouragement and proved a valuable asset in the effort to solve the capital's desperate need for homes. It was completed in 1944 and quickly occupied. Personnel of the army, navy and air forces and officials of the Treasury, War and other federal departments comprised the greater part of the tenancy. It is still unable to accommodate all who desire to live there.

However, need of critical materials for war use fell heavily upon Parklabrea and Parkmerced. Consultation with government officials led to War Production Board authorization for the construction of Parklabrea to the extent of one-half (1,316 suites) and of Parkmerced to the extent of two-thirds (1,687 suites). Work proceeded on this basis and all available suites were promptly rented in 1944, principally to the armed forces and aircraft production personnel. Today both communities are handsome expressions of modern design in apartment living and when conditions are favorable will be completed in accordance with original plan.

All of the communities mentioned were built on vacant land.

The circumstances under which Stuyvesant Town, Riverton and Peter Cooper Village were conceived are different. These communities are being built in Manhattan, heart of the greater city, and constitute an attack on obsolescence which had grown over the years to the detriment of the municipality and its people. The history of the Stuyvesant Town area is a melancholy recital of steadily declining population. Families moved to outer neighborhoods, leaving behind a blighted section in which high land values remained as a serious obstacle to improvement.

THE redevelopment companies' law was passed to enlist the cooperation of private enterprise in an attack upon such conditions. The Stuyvesant Town plan was the first to be developed under the law as amended in 1943 and was announced by Chairman Ecker in April of the same year. It represents the cooperation of the company with both the state and the city of New York.

Under its terms, a contract was entered by the company with the city. A third principal was the Stuyvesant Town Corporation, which Metropolitan had organized as a redevelopment company. The contract provided for the exercise of the power of condemnation by the city on behalf of the Stuyvesant Town Corporation so that the necessary land could be assembled expeditiously, the corporation paying all property awards. The contract also specified that for 25 years the corporation will pay taxes based upon the 1943 assessed valuations (land and old buildings). Thereafter taxes are to be paid on the assessed valuations of Stuyvesant Town (land and buildings).

As a consequence, the city will obtain annually during the next 25 years all of the taxes which the district yielded in 1943. The tax yield will be even higher because the element of tax delinquency as it formerly related to individual parcels no longer exists. The contract provides for rents scaled at moderate levels and under its terms the Stuyvesant Town Corporation will limit its gross investment return to 6%.

The Riverton plan was formulated under the provisions of the same law. But that of Peter Cooper Village was not. Peter Cooper Village is being constructed under the provisions of the insurance law which authorized the building of Parkchester. Accordingly it will pay full taxes and its rents will be higher than those of Stuyvesant Town, its neighbor.

Wreckers demolished about 700 tenements and old industrial buildings on the three sites. Over 500 of the structures were leveled on Stuyvesant Town blocks. Heavy buildings such as concrete warehouses were shattered in dramatic fashion by the swinging iron ball. From a safe distance spectators watched as an iron ball weighing a thousand pounds or even a ton was swung against stout walls.

Applications for occupancy of Stuyvesant Town and Riverton are now being processed.

Air view of Parkchester, 12,272 apartments in 130 acres, of which buildings occupy little more than one-fourth. The community contains huge ramp garages, movies, stores, a postoffice and public library.—(Metropolitan Life.)

Beginnings of Casualty Business

Troubles Numerous and Volume Meager in 1900-10

BY WILLIAM S. CRAWFORD

A REQUEST from C. M. Cartwright, editor of The National Underwriter, is to me, like the king's invitation, a command. I worked under his supervision from 1899 to 1917, except in 1900 and 1901 when I was in another business. He was an "easy" and beloved chief who gave few commands but set such an example of ability and industry that his subordinates were ashamed to do less than endeavor to imitate him.

He has asked me to write something about the casualty and surety business at the turn of the century and how The National Underwriter (then The Western Underwriter) came to give special attention to what was then a small but growing branch of insurance.

At the beginning of the century insurance papers devoted themselves chiefly to fire and life insurance, and The National Underwriter was no exception. There was a good reason for this. Marine insurance was handled almost exclusively by a few specialty offices. The casualty and surety business was young and relatively small in volume, and the bulk of it was written by general agents in large cities. In 1898 the countrywide premiums reported to New York state amounted to $16¼ million. As a rule, local agents gave little attention to this branch, although many of them represented a few single-line companies in which they placed casualty business requested by their fire insurance customers.

ABOUT 1907, when I had been working with Mr. Cartwright for three years at Chicago, reporting, editing correspondents' copy, making up the paper and the like, he directed me to devote most of my time to reporting casualty and surety news. Whether he foresaw the great growth of that branch I do not know. I certainly did not. Whatever credit The National Underwriter may have for becoming a pioneer in that field is due to Mr. Cartwright.

Reporting casualty and surety news was not entirely new to me. When I had traveled Ohio in 1899, 1902 and 1903, chiefly on work connected with the state insurance directories The Western Underwriter published, I had talked with hundreds of local agents and written what news they gave me, and when I had acted as correspondent of the paper at Cleveland I had had long talks with general agents and branch managers of casualty and surety companies and learned something about the conditions in the business at that time.

One of my early assignments after I became associate editor at Chicago in January, 1904, was to interview W. B. Joyce, who had just been elected president of National Surety. Mr. Joyce, whose general agencies at St. Paul and Chicago were the largest that company had, had gone to the annual meeting to protest against the way in which the company was being run and had been virtually forced by the directors to accept the presidency. He was in the west to settle up his affairs there before actually taking charge of the company, which was then insolvent (though its reports had not shown it to be), and building it up in the course of years to be the largest surety company in the country. Mr. Joyce told me a lot about the surety business in a few minutes.

In 1907 the casualty business was a little over 40 years old in the United States. Travelers had commenced writing personal accident in 1863; Hartford Steam Boiler, steam boiler in 1865; Metropolitan Plate Glass (now Metropolitan Casualty), plate glass in 1874; Fidelity & Casualty, organized in 1876 as a multiple-line company, was one of the earliest, if not the very first, to write burglary insurance and began writing fidelity bonds in 1880. Employers' Liability had introduced liability insurance in 1886.

Most of the companies were still writing only one class of business in 1907, although several leading accident companies had entered the liability field and a few surety companies were writing burglary insurance. Some multiple line companies had developed a general classification, but others were writing principally liability insurance.

New companies had been starting from the time Travelers entered the accident business, and dozens of them had failed. During the 1890s several large liability companies had failed. In the early years of this century, numerous companies started and a large part of them apparently thought they must cut rates for a while in order to get some business on their books, even though they intended eventually to become "board", companies. Older companies which endeavored to get full rates had of course to make some concessions to meet this cut-rate competition. As a result, liability, plate glass and surety rates were badly demoralized.

Aside from its competitive troubles, the casualty business had others. In most local agencies it was a minor factor as compared with the fire business. Fire insurance rates were demoralized in many localities, but company organizations and local boards did much to control them. It was not uncommon for agents, unable to cut fire rates, to offer their assured cut liability or plate glass rates.

Employers' liability insurance was the cause of the great headaches. Activity of damage case lawyers was forcing more and more employers to insure. Where the premiums were large, competition forced the rates down. The formula for computing loss reserves, required by law in some leading states, was inadequate, and companies which set up reserves in full compliance with law might be insolvent unless they had large apparent surpluses.

Another serious factor was that workmen's compensation laws were being widely discussed and a considerable part of the reading public was getting an idea that when an employe was injured he ought to be paid something. This feeling was reflected in the verdicts of juries, which often gave little attention to contributory negligence, assumed risk or the fellow servant rule, depended upon by employers and their insurers as defenses.

The personal accident branch had fewer troubles than some of the others. Standard rates were fairly well adhered to, although the low rates charged by some of the traveling men's associations—and a few companies also—were a disturbing influence. Payment of excessive commissions, however, was common, and the constant broadening of policies and adding of "frills" as selling points kept agents busy trying to keep business on their books.

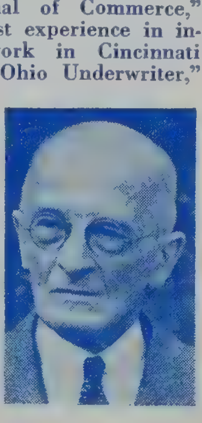
THE surety business was rapidly approaching the stage where the insurance commissioners had to take it in hand and force the companies to organize a rating system. A number of companies already had failed and others were so far gone that they went into receivership within two or three years after reforms were inaugurated.

Conditions in the surety business had gone from bad to worse until it had almost reached the bottom of the pit. A number of companies had failed within a few years, and others, which still made annual statements showing a few thousand dollars of surplus, would probably have been insolvent if their loss reserves had been properly computed. A few companies were in good condition and were demanding and getting reasonable rates in the face of the cut-rate competition.

In 1908 the insurance commissioners became so alarmed at the prospect of heavy losses to the public through the insolvency of surety companies that they appointed a special casualty and surety committee. This committee called a meeting of company presidents, and they decided to organize the Surety Association of America. Committees of underwriters were appointed to formulate rates for various classes of bonds. The next year it was decided to have a single rate making bureau, and Rutherford H. Towner, an underwriter for the American Surety and a lawyer by profession, organized the Towner Rating Bureau. Most of the companies subscribed to its rates.

Mr. Towner was a firm believer in adequate rates. He was not hampered by state regulation and obliged to base rates on statistical experience, reducing them after a period of light losses only to have the losses jump and the rates prove inadequate. He studied trends and sought to prepare for the future before it arrived.

Stabilized, adequate rates did much for the surety business, but some other factors helped make it prosperous. The Secretary of the Treasury had ruled that no surety company's bond would be accepted by the United States if the company retained, under any one undertaking, net liability in excess of 10 per cent of its combined capital and surplus. Under that rule some companies could retain only $30,000 or $40,000 net and had to reinsure a consider-



W. S, Crawford

William Sterling Crawford, insurance editor of the "Journal of Commerce," New York, got his first experience in insurance newspaper work in Cincinnati when he joined the "Ohio Underwriter," which had just been established by E. J. Wohlgemuth. He had been with a daily paper at Butte, Montana, and also the Anaconda "Standard" in Idaho. He went to Cincinnati and took out a rate book for a life company. However, he soon found that he was a newspaper man by nature and by training. He learned of Mr. Wohlgemuth's budding enterprise and joined him. Mr. Wohlgemuth used him in the editorial department and also had him travel for the Ohio insurance directory. Mr. Crawford's parents resided in northern Ohio. His father was a grower of strawberry plants and gladiola bulbs. Mr. Crawford returned to his old home and later joined the "Western Underwriter" in the Chicago office as associate editor. One of Mr. Crawford's constructive ideas was to learn all he could about casualty and surety. Therefore, the "Western Underwriter" started a news department for this line of insurance and published a monthly supplement which Mr. Crawford edited, devoting its entire space to these lines. He became well known in this field of insurance journalism in which he was a pioneer. In later years he became associate editor of the "Insurance Field" at Chicago and then succeeded Sumner Ballard as insurance editor of the "Journal of Commerce" of New York, where he made a remarkable record and has become a national insurance figure.

From Home Ins. Co.—"News From Home"

able portion of every large bond they executed.

The Surety Association of America adopted a rule that no member should accept reinsurance at less than the manual rate. That brought rate cutters up with a short turn. They had to be on the Treasury Department's list of approved sureties and be able to write large bonds to be of much use to their agents. When they had to pay manual rates for reinsurance, they had to secure manual rates or go into the red.

The surety business entered a period of prosperity which lasted about 20 years. In fact, it became too prosperous, as numerous companies entered it because it was profitable, raided agency plants of old companies and increased expenses. Then came the crash of 1929, with banks closing, heavy depository losses, heavy fidelity losses, reduced income, shrunken assets and a number of company failures.

THE year 1910 will stand as a momentous one in the history of the casualty business. It marked the beginning of the great growth of workmen's compensation and automobile liability insurance; the formation of a casualty company organization which eventually brought order out of the chaos which had existed, and the greater broadening of casualty company operations from single-line to multiple-line, which was soon followed by the formation of fire-casualty fleets of companies. It also marked the beginning of a greatly increased interest in the casualty business by local agents.

The casualty and surety business had been growing. The premium income from these branches was around $20 million in 1900 and had risen to $85 million in 1910, but the next decade saw it go up to $416 million. Then it rose to $101 million in 1929, after which there came a slump in the great depression.

In 1910 a number of states had enacted workmen's compensation laws and many others were preparing to do so. These laws quite generally required employers to insure their compensation risks (unless they qualified as self-insurers), and, even where insurance was not compulsory, common business prudence caused employers to carry it.

Some local agents grasped the opportunity to solicit workmen's compensation insurance before the laws became effective. Others, who did not do so, received strong demands from their fire customers who were employers affected by the laws to get compensation insurance for them. Few insurance men knew much about this new form, but agents were soon begging their general agents and companies for assistance in writing it.

Automobile insurance, both casualty and fire, had been written for several years before 1910, but by that time the use of cars was becoming so general and was growing at such a pace that local agents found in it a fine opportunity to increase income. Those who had been slow to take up the writing of this class found themselves obliged to write it to protect their fire business from inroads by more progressive agents.

UNTIL about 1910 many of the casualty companies and most of the surety companies were single-line institutions, although the number of multiple-line companies had increased. Comparatively few of the latter class were writing both casualty insurance and bonds, however. In that year the United States Fidelity & Guaranty entered the casualty field. Then the Maryland Casualty reinsured the Bankers Surety and entered the bonding field. The Fidelity & Deposit bought the Philadelphia Casualty and a little later began writing casualty insurance itself. After a few years it went back to writing bonds exclusively.

In 1911 Royal Insurance Company of Liverpool organized Royal Indemnity Company of New York, as a casualty-surety running mate for its United States branch, and in following years its example was followed by many leading fire companies, both British and American, and later some of the large casualty companies organized or acquired fire running mates.

This formation of fire-casualty groups had a profound effect upon the casualty and surety business. Leading fire companies had a very strong hold on their agents. Hundreds of these agents took on the new casualty running mates. This often resulted in crowding out of the agencies other casualty companies, especially those writing single classes, and also surety companies, as the new companies insisted upon getting the choice business along with compensation risks .

In a few years the bulk of the casualty business, other than personal accident and health, was being written by multiple-line companies, many of them affiliated with fire companies. The casualty business in many local agencies became very important. The multiple-line casualty companies put pressure upon their agents to write surety bonds also. Many local agents had not liked the surety business. They could not write bonds as they did fire policies, and much detail work was involved. Under pressure, however, they developed considerable surety business and in some offices it became an important factor.

For some years the liability business had been in a deplorable condititon, but apparently the companies were making no efforts to form an organization. About 1910, Ohio abolished the three chief defenses to personal injury damage suits. W. J. Wilson, general agent of the Aetna Life, and John S. Turn, manager of the Travelers, both of Cleveland, toured the state urging agents to charge higher employers' liability rates and thus prevent that branch from becoming even more unprofitable.

Then they went to New York and succeeded in getting officers of a number of companies to attend a meeting. Some of these officers were scarcely on speaking terms, but out of that meeting grew the organization of the National Workmen's Compensation Service Bureau, which later became the National Bureau of Casualty & Surety Underwriters. It later absorbed as departments single-line organizations which had supervised plate glass, burglary and steam boiler rates.

THE NATIONAL UNDERWRITER had begun to give special attention to the casualty and surety branches at just the right time. The paper then had a large circulation among local agents in the Middle West, which later was extended country-wide. Without much effort on their part, their casuality business was growing, and when workmen's compensation and automobile liability were virtually thrust upon them they had to give attention to casualty business.

Many agents read eagerly whatever information about the casualty business was available, and when THE NATIONAL UNDERWRITER began giving them pages of casualty news instead of a column or two each week they "ate it up." About 1909—as I recall the date—Mr. Cartwright decided to add to the paper a monthly casualty supplement, consisting of educational and other special articles, comments, summaries of speeches, new laws and court decisions on casualty insurance and some "inspirational stuff." This was well received by the agents.

Many of the local agents in the middle west were no longer young. Some were so busy handling their fire business that they had neither time nor inclination to go thoroughly into learning another branch, so they employed young men to look after their casualty departments. The youngsters were ambitious and enthusiastic. There were few books on casualty insurance in those days, and THE NATIONAL UNDERWRITER helped them in their work. Many of them became heads of agencies and leaders in organizations of agents.

In my opinion, when Mr. Cartwright decided to enlarge and develop the casualty department of THE NATIONAL UNDERWRITER, he performed a great service for the business. To a large number of agents was carried weekly information which it would have cost companies thousands of dollars to send to them separately. It helped in some measure to educate agents just when they needed education and to interest them in the casualty and surety business and encouraged them to build up departments in their offices which have since brought them millions of dollars in commissions and, by good service, strengthened the ties between them and their customers.

THE usefulness of a trade paper reporter to his publication and its readers depends largely upon the assistance the men in the trade give him. The casualty and surety men of Chicago—and some other cities—were the real schoolmasters to those who were seeking to learn more about the business.

They were mighty kind to me. Many and many an hour of their valuable time did they devote to giving me news, explaining the problems and conditions in the business and telling me interesting incidents from their experience.

Chicago had but few home offices of casualty and surety companies in 1907. The United States branch of London Guarantee & Accident had its headquarters there. Illinois Surety and later Chicago Bonding & Surety had their head offices there, but both were small companies and short lived. Zurich established its United States headquarters in Chicago later.

Fred W. Lawson, acting U. S. manager of London Guarantee during the final illness of Capt. A. W. Masters and named as his successor, was almost a commuter between Chicago and New York, and he gave me much news and information. H. G. B. Alexander, then on his way up to the presidency of Continental Casualty, and Alfred E. Forrest, secretary and general manager of North American Accident and later its president, were extremely helpful along accident lines.

D. E. Monroe, superintendent of agents of Illinois Surety, who later went into the fire business and in recent years retired as assistant U. S. manager of the Commercial Union fleet, was one of my best instructors in the surety branch. He had been with American Bonding and National Surety as a special agent, had traveled all over the country, knew scores of leading surety men and had a fine knowledge of the "politics" of the business—the peculiarities of individual companies, the friendships and feuds among high officials and the like. He helped me write some of the best surety stories we published.

Chicago was very strong in its general agents and branch managers. They were close to their companies and knew much that was going on at headquarters, and they talked to this reporter more freely than most home office officials are accustomed to do. The calibre of these men may be judged from the fact that Chicago has furnished six of the 15 presidents the National Association of Casualty & Surety Agents has had: Wade Fetzer, George A. Gilbert, George D. Webb, John A. Morrison, Charles H. Burras and Lew H. Webb.

Or, applying another test, consider the Chicago men who became high officials of companies. I list some of these from memory and regret that the list is far from complete:

William J. Gardner, Chicago manager of New Amsterdam Casualty, who eventually became United States manager of Ocean Accident & Guarantee.

Wade Fetzer, of W. A. Alexander & Company, who, as an accommodation, became president of Fidelity & Casualty for a short time and then returned to the agency in Chicago.

J. M. Haines, an underwriter in the office of London Guarantee, who is now U. S. general attorney of the Phoenix-London Group.

John A. Diemand, in the claim department of Zurich at Chicago and now president of Insurance Company of North America and its affiliates.

E. A. St. John, president of Joyce & Company, who was called to New York as vice-president of National Surety and later became president.

M. L. Jenks, manager of American Surety at Chicago, who became a vice-president of that company at the home office.

Charles L. Phillips, in the Chicago claim department of United States Fidelity & Guaranty, and now for many years an executive vice-president of that company.

George F. Coar and Thomas J. Grahame, of the Chicago office of Globe Indemnity, who later became vice-presidents of the company.

Kenneth Spencer, of the same office, who at the time of his recent death was president of Globe, Royal and Eagle Indemnity Companies.

H. A. Behrens, who came to Chicago from Los Angeles and established the country-wide industrial disability department of the Pacific Mutual Life, then joined Continental Casualty, supervised its entrance into the general casualty and surety field and became its president and later chairman of the board.

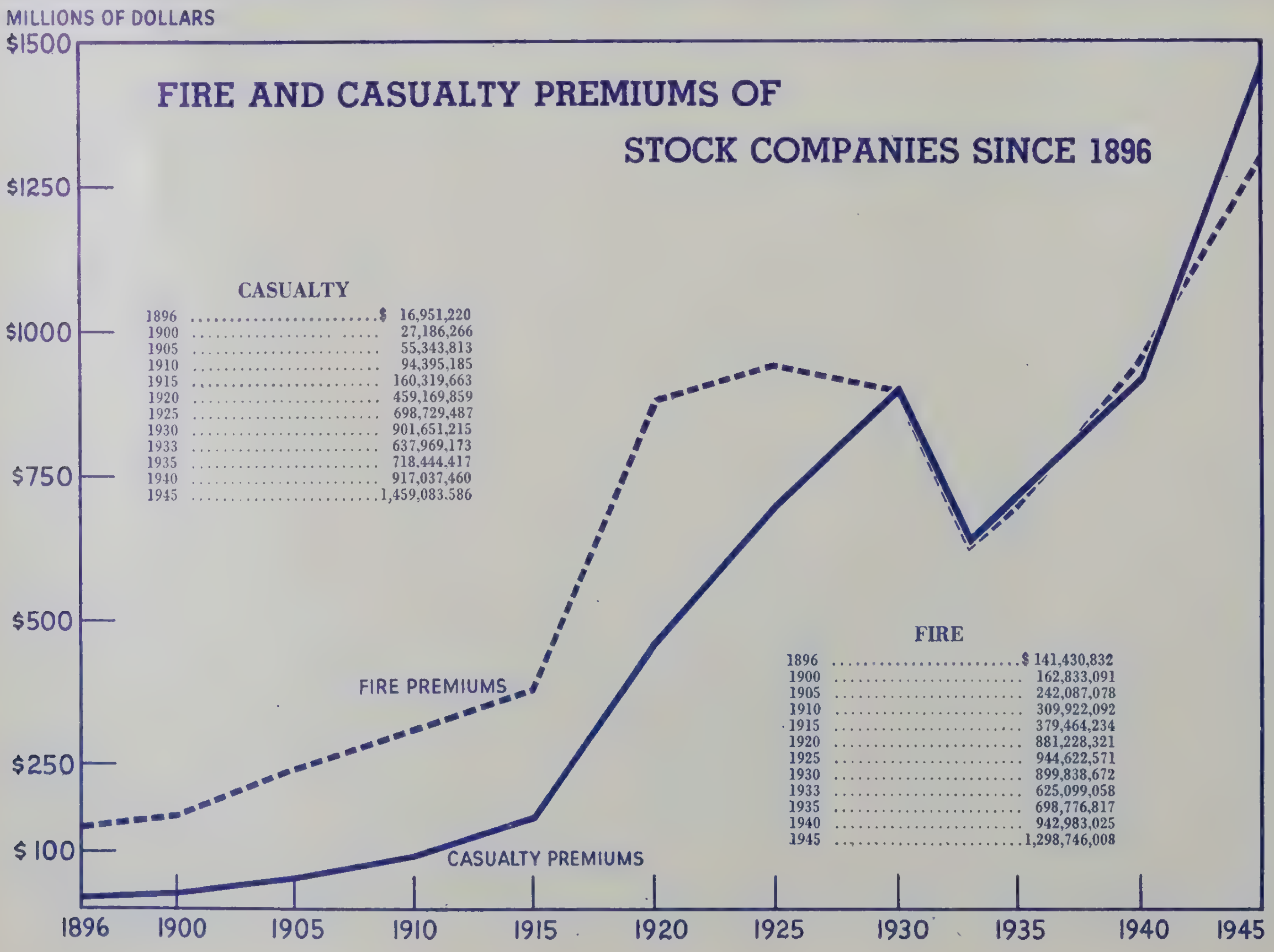
Roy Tuchbreiter, now president of Continental Casualty, was an office boy in one of the Chicago casualty offices when I was a reporter there.

THE dean of the liability underwriters was George A. Gilbert, resident manager of Employers' Liability, who was the second field representative that corporation appointed after it entered the United States in 1886. He wrote the first employers' liability policy placed on its books. His knowledge of the business was encyclopedic, and he was patient in teaching me a little about it.

George D. Webb, of Conkling, Price & Webb, at one time was the only man in Chicago credited with having a thorough knowledge both of casualty insurance and suretyship, so distinct were those branches up to about 1910. That firm got one of the first general agencies of London Guarantee & Accident in 1893 and about three years later got the first general agency of U. S. Fidelity & Guaranty. It still represents the London, but about 1909 took on Fidelity & Deposit in place of U. S. F. & G. B. H. Conkling and Fred A. Price were great business producers. George Webb was the "inside" man, a profound student of the business and in competition an able antagonist. There was no man in the business for whose knowledge and judgment I had higher respect, and he helped me greatly in my work.

W. A. Alexander & Company had the general agency of Fidelity & Casualty in the early eighties—or perhaps earlier—for a large western territory. I never knew Mr. Alexander, as he had largely retired from active business and lived in Florida most of the time, but his junior partners, Wade Fetzer and W. E. Dickey, were very able men and did me many a favor.

Joseph E. Callender, manager of Ocean, was a generous and delightful instructor of this reporter. He had been a claims man for the old American Casualty Insurance & Surety Company of Baltimore, which cut a wide swath from 1890 till 1893, when it failed. He knew the mistakes it and many of its defunct successors had made, and he was amused at some of the bright ideas some of the new men in the business held, for he had seen just such ideas tested out before. He had been associated with Joseph E. Macdonell, one of the best burglary underwriters in the country, in the Macdonell-Baker-Callender Company, which was general agent of the Ocean in Chicago before the company opened its branch office there.



CASUALTY

1896	$ 16,951,220
1900	27,186,266
1905	55,343,813
1910	94,395,185
1915	160,319,663
1920	459,169,859
1925	698,729,487
1930	901,651,215
1933	637,969,173
1935	718.444.417
1940	917,037,460
1945	1,459,083.586

FIRE

1896	$ 141,430,832
1900	162,833,091
1905	242,087,078
1910	309,922,092
1915	379,464,234
1920	881,228,321
1925	944,622,571
1930	899,838,672
1933	625,099,058
1935	698,776,817
1940	942,983,025
1945	1,298,746,008

John Angus Morrison, one of the most courteous men I ever knew, was a valuable member of the casualty fraternity in Chicago. He had learned that business under Charles H. Hood, the veteran general agent of the Ocean at Minneapolis, had been manager of that company at Milwaukee, and came to Chicago to be manager of the casualty department of Moore, Case, Lyman & Hubbard, one of the "big four" fire agencies, which had the general agency of Standard Accident.

Brokers at that time were peddling liability risks about the insurance district, getting a rate quoted at one office, then going to others and telling them the lowest figure they had secured and endeavoring to get them to cut under it. This practice disgusted Morrison. He invited the other general agents and managers to luncheon, told them he thought they were being "worked for suckers" and got a movement started which resulted in the organization of the Casualty Underwriters Association of Chicago, which improved the local situation. In 1912 Mr. Morrison formed the firm of Morrison & Blew and secured the general agency of the Massachusetts Bonding, when it entered the casualty field. The next year he and Wade Fetzer of Chicago and W. J. Wilson of Cleveland were chiefly instrumental in forming the National Association of Casualty & Surety Agents.

A. G. Kuhns, general agent of New Jersey Plate Glass, had the largest plate glass business in Chicago, and when Charles F. Pogge resigned the general agency of Metropolitan Plate Glass and joined Mr. Kuhns, forming the firm of Kuhns & Pogge, one could get in that office about all the plate glass news that was going.

Roscoe R. Gilkey, before he was called to New York to become secretary of the Surety Association of America, had been manager of American Surety at Chicago. A lawyer by profession, he had been in the surety business for years and his knowledge of it was wide and deep. During the period while it was being reformed, he gave me a lot of information which was very useful to me.

George K. Thomas, manager of Bankers Surety, was one of the most successful contract bond underwriters in Chicago. Before entering the surety business, Mr. Thomas had been an officer of a Chicago contractors' association and he knew nearly every contractor in the city, his record, his strong points and his weak ones. On that knowledge he wrote bonds—or refused to write them. He told me that the nearest he ever came to a bad contract loss was when he executed a bond for a prominent contractor on the contractor's financial statement and against his own "hunch." Surety companies had to complete three big jobs on which that contractor defaulted almost simultaneously. Mr. Thomas was a great help to me on surety news and information.

Congratulations

THE Equitable Life Insurance Company of Iowa extends sincere congratulations to The National Underwriter on the occasion of its 50th Anniversary.

Such felicitations are appropriate not only because of the publication's long record of service, but also are merited by reason of the continuous and constructive services rendered within life insurance.

EQUITABLE
LIFE of IOWA

Home Office **Des Moines**

Eightieth Anniversary Year

LIFE INSURANCE IN ECONOMIC CRISES

Growth of company assets interrupted only once, in 1873; trends compared with those in other indices

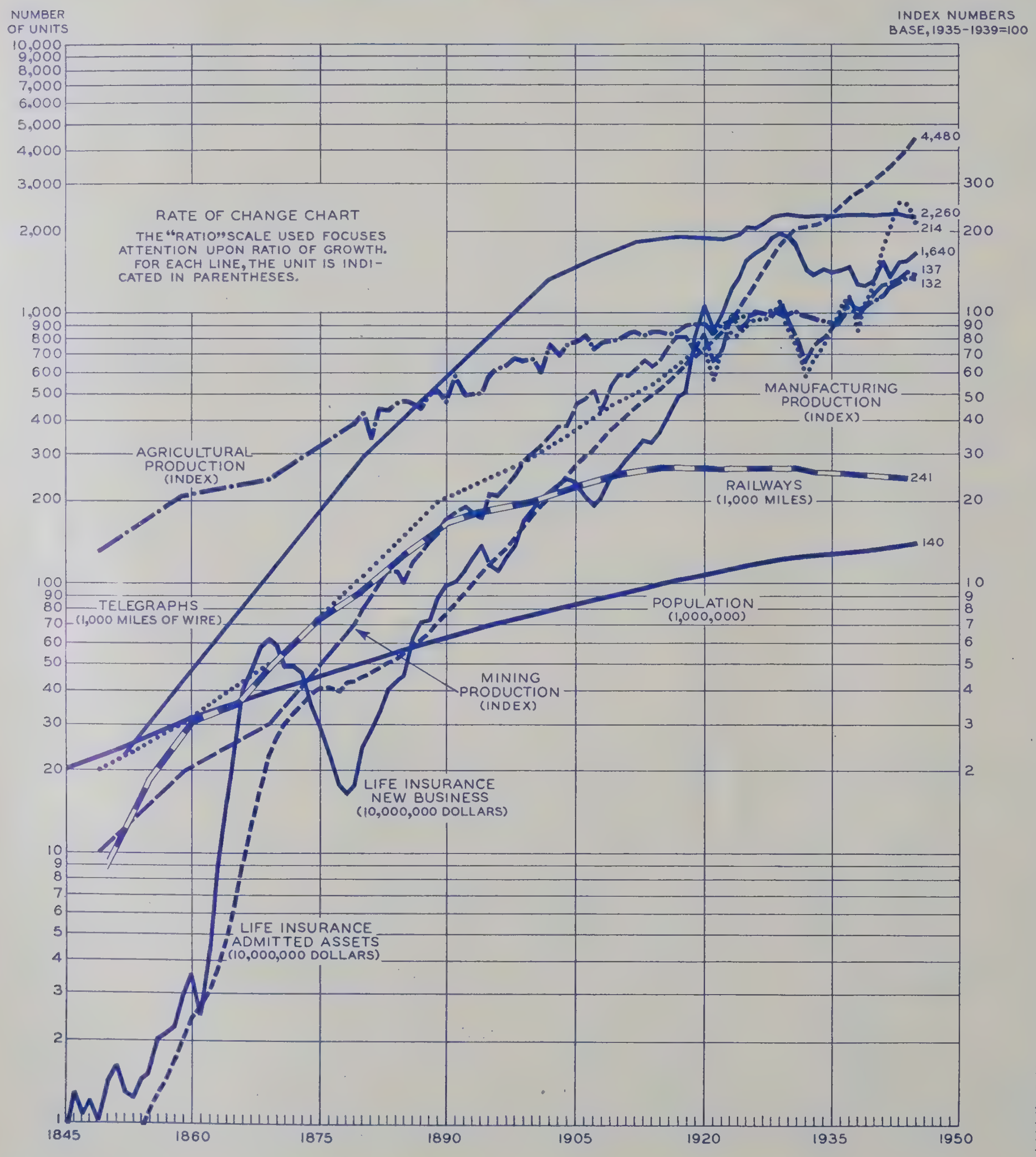
BY J. S. THOMPSON

AT the annual convention of the Association of Life Insurance Presidents, now the Life Insurance Association of America, at New York in December, 1934, some observations were presented, at the suggestion of the manager, on "Life Insurance in Economic Crisis", with the purpose of comparing, as graphically and briefly as possible, the quality of the performance of life insurance companies during the economic recession which began in October, 1929 with the corresponding reactions of the life insurance business to earlier periods of economic stress and panic.

The article is herewith brought up to date, and the charts associated with it extended.

CHART I. **ECONOMIC PROGRESS**

UNITED STATES, 1845-1945



NATIONAL INDUSTRIAL CONFERENCE BOARD CHART SERVICE
JANUARY, 1947

Like the original article, the current comment relates only to life insurance in the United States.

For the benefit of those who do not recall, or do not have access to, the earlier article, it may be explained that it was essentially a graphic study. An "Economic Progress" chart, published by the National Industrial Conference Board, furnished a general background, and was adapted to the present purpose by having superimposed upon it a few life insurance curves. It was difficult to find reliable indices of other phases of national development covering the entire period of life insurance history in the United States. After careful study of available material, attention was centered upon bank clearings, commercial failures, and increase in railway mileage as a background for comparison of annual operations, and total savings bank deposits and total railway mileage for an indication of cumulative results. For later years, in particular for the years 1929-1945 now under consideration, increase in railway mileage has little significance, but, for measures of annual activity, we can add national income as estimated by National Industrial Conference Board, which is further broken down into manufacturing and agricultural incomes. Life insurance statistics include new business and payments to policyholders as annual indices, and assets and insurance in force for cumulative results, all as summarized by the Spectator Company in the Insurance Year Book.

BY way of initial comment upon Chart 1, the basic economic progress chart, we cannot do better than reproduce a passage from the earlier paper:

> Before proceeding to a direct consideration of the contribution of life companies to the histories of the several depressions of the last 100 years, it may be worth while to get a broad view of the growth of the life insurance companies as compared with the growth of other indices of achievement and progress. This comparison can be most readily visualized by superimposing a few life insurance curves upon the "Economic Progress" chart published by the National Industrial Conference Board. Prior to the current crisis, there may be said to be three distinct periods of development with different rates of growth of the aggregate assets of all life companies: 1845-1870, 1870-1885, and 1885-1929. During the first quarter century, the accumulation of assets took place at a rate more rapid than that which characterized the growth of such commercial facilities as the railway and telegraph. During the 15-year period

Looking Forward . . .

MEN who look forward . . . always to bigger and better things . . . provide us with much that is well worth looking back upon.

Today we join with thousands in every part of the country to pay tribute to Mr. C. M. Cartwright and the magazine he has edited so successfully and so faithfully for half a century, The National Underwriter.

A 50th Anniversary is a good time for reflection.

It is also a good time to keep looking ahead, to plan a still finer future. And somehow we are certain that "looking ahead" is exactly what Mr. Cartwright is doing on this Anniversary. He has always done it.

Congratulations, Mr. Cartwright! And congratulations to The National Underwriter! Together you have served the insurance field faithfully and well.

THE COMPANION COMPANIES OF OMAHA

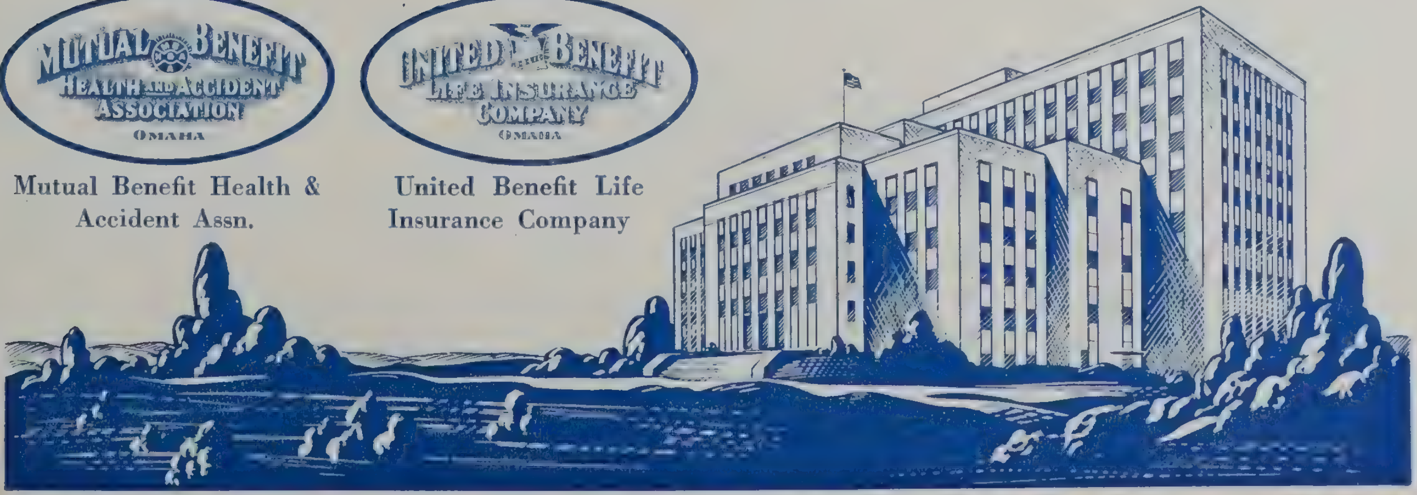
Dr. C. C. Criss, President

MUTUAL BENEFIT HEALTH AND ACCIDENT ASSOCIATION OMAHA

Mutual Benefit Health &
Accident Assn.

UNITED BENEFIT LIFE INSURANCE COMPANY OMAHA

United Benefit Life
Insurance Company



following 1870, the rate of expansion of life insurance reserves was retarded by the difficult conditions of that era, but beginning about 1885 a rate of progress was resumed which, while less vigorous than that prior to 1870, was of such force that the aggregate assets were doubled approximately every nine years until the economic pressure of 1929 and later again slowed down our rate of accumulation.

Thinking in terms of annual production instead of total accumulations, we may observe the same three periods of development: The growth of new business prior to 1870 was much more rapid than the expansion of agricultural, manufacturing, or mining production and was, in fact, at a rate which was almost identical with the rate of development of the production of the telephone, automobile, radio, and airplane—many years later. The new business of the two decades following the Civil War was distinctly out of line with both the period which preceded and that which followed it. With some recessions * * * the annual production steadily increased until after World War I. None of the aforesaid recessions were serious enough to prevent the almost continuous growth of assets and of insurance in force. The remarkable expansion which followed the war and continued with unabated vigor up to the present depression is a matter of common appreciation.

TAKING up the thread of the story where the earlier article ends, it will be noted that agricultural production has reached new levels and that manufacturing production, after sharp recessions in 1932-34 and 1937-38, has displayed very rapid expansion and attained even higher levels than formerly, all in relation to the imperative needs of a war economy. Mining production may be said to occupy a position intermediate to the two factors just referred to. Railway and telegraph progress, which could have been better measured in terms of traffic volume, has been practically static as to mileage of rails and wires, respectively. The volume of new life insurance business, while characterized by irregular variations, has remained at nearly the same level as in 1934, until 1945 when the volume closely approaches that of 1931. It may be that 1946 new business will exceed the level of 1929-30. The level reached by life companies assets, following a short period of hesitation in 1932-34, and the rapid and sustained rate of growth thereof, exceeded only by the rate of expansion of manufactures in the critical war years 1941-45, are remarkable and outstanding.

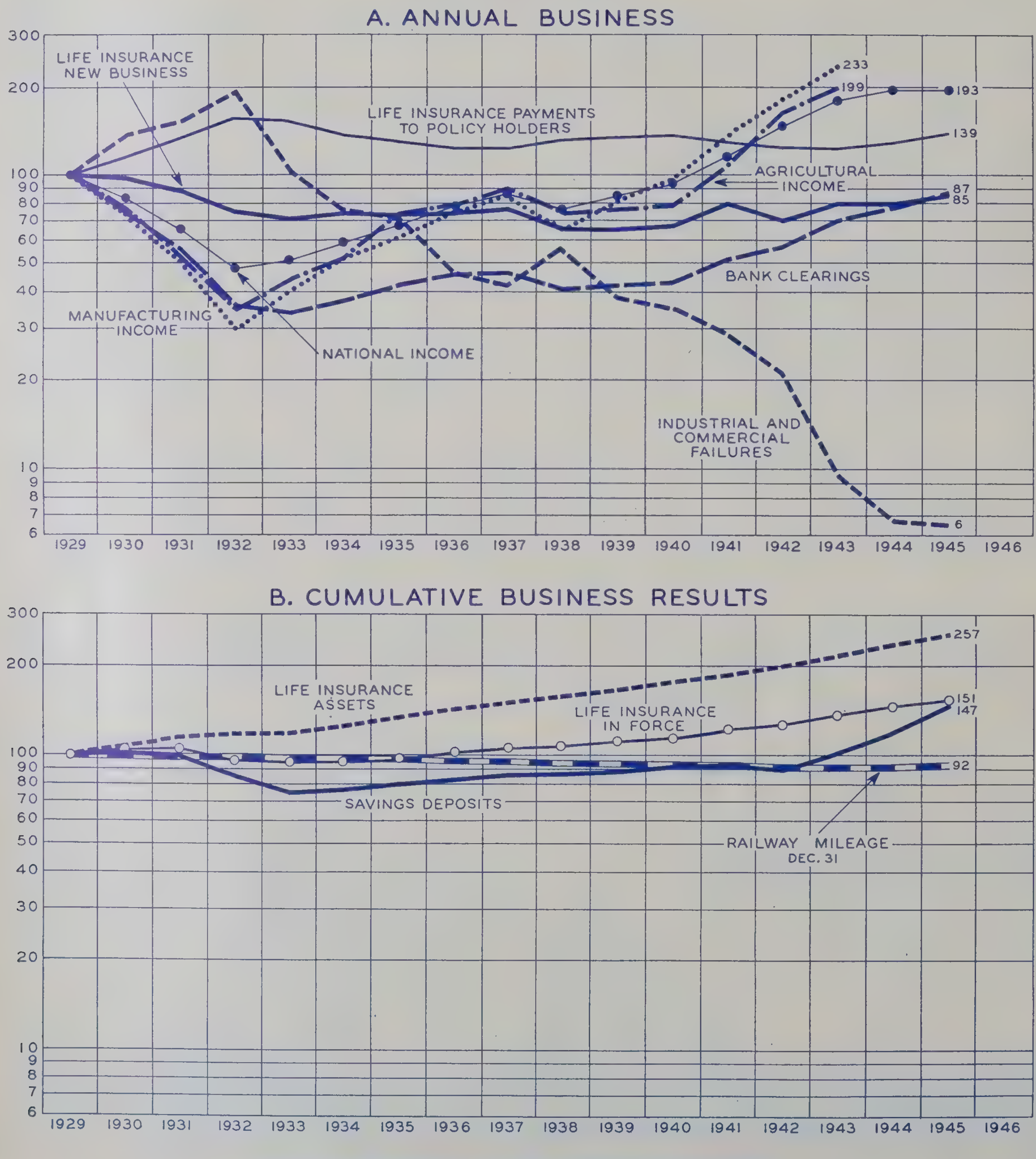


CHART 2.

1929·1945
CHANGES IN LIFE INSURANCE AND GENERAL BUSINESS

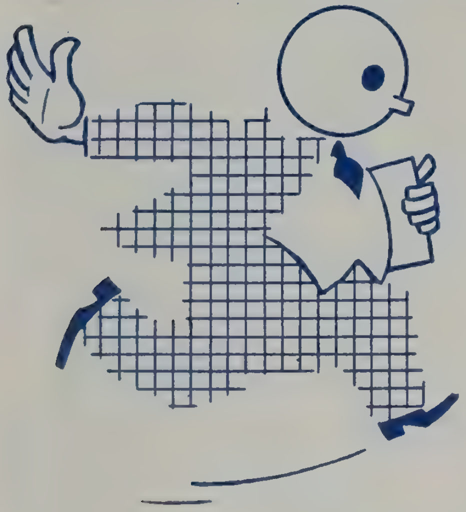
INDEX NUMBERS, BASE, 1929=100

NATIONAL INDUSTRIAL CONFERENCE BOARD CHART SERVICE
JANUARY, 1947

With reference to Chart 2, "Changes in Life Insurance, 1929-1945", may we again quote what was said in 1934 about the visible trends from 1929 to 1934:

> It is unnecessary to review the conditions leading up to the present economic disturbance other than to say that the complicated nature of modern industry, the extreme subdivision of labor, the non-liquidity of capital and labor, the narrow margins of profit under modern competitive conditions, and the general sensitiveness of the economic structure, all profoundly aggravated by the dislocation of relations between individuals and nations in consequence of World War I, have had the common effects—the vicious circle of contraction, reduced purchasing power, and destruction of confidence, and the final condition of paralysis in which we have found ourselves and from which we may now be, more or less happily, emerging.
>
> Various trends are exhibited on the chart for the years 1925 to 1933. New life business declined after 1929, but it did not suffer as much as the incomes from agricultural and manufacturing activities or total bank clearings or the total national income. Payments to policyholders (taken from the convention blank and therefore including some non-cash items and excluding loans to policyholders) increased until 1932 and stand out conspicuously as a form of service which the average man best understands. Total life insurance in force reached a maximum in 1931 and assets have not decreased at all (since 1877) although the rate of increase has been decreasing since 1926. The continued growth of total assets, notwithstanding the diminution of total insurance in force, is, in part, explained by the increased importance of annuity business in recent years.

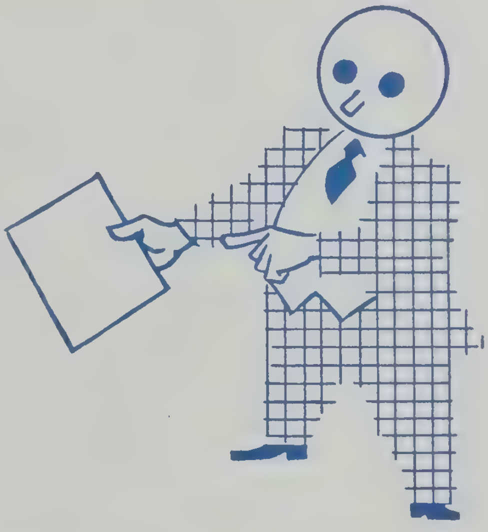
AS to the experience of the last ten years, it may be observed from Part A of Chart 2 that industrial and commercial failures have declined steadily until now economically unimportant, that national income after declining to a low minimum in 1932 has increased steadily except for a recession during which a second and higher minimum was reached in 1938, the rate of increase being rapid during the war years and slower in 1944-1945 when a plateau is indicated; that manufacturing and agricultural incomes follow the same general trend, manufacturing income reaching lower levels in 1932, and higher levels in 1945, and agricultural incomes taking an intermediate position; that new life insurance business is, throughout, below the level of 1929 but has been well sustained and is now on an upward trend with the possibility that 1946 may break through the previous 1929 maximum; and that payments to policyholders, after a bulge upwards from 1929 to 1932 in consequence of the extended use of cash surrender values during the early depression years, has since declined moderately, with less insurance in force, and is now rising again because of the in-



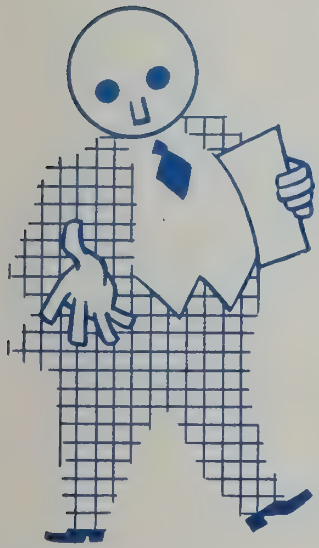
Johnny Graph-Estate isn't 50 years old, but . . .

Johnny is still a youngster of barely 12, though he's the offspring of a parent turning 87. But from the record he's rung up, you'd think Johnny had been around for ages.

Johnny Graph-Estate, of course, is the symbol of Graph-Estate—Guardian's technique of making *the prospect himself* diagnose his own financial problems and prescribe his own solutions in terms of life insurance.



When Johnny goes to work beside a Guardian representative, things happen. Policies aren't merely sold—they're *bought*—and their average size is bigger. Policyholders stay sold—and keep coming back for more.



To the representative, Johnny's aid means sounder service to the prospect—more closings per interview—more results and more income per man-hour of effort.

No wonder Guardian people have learned to swear by him. No wonder you hear them saying so often, with Johnny Graph-Estate by their side, *"The really big years are the years ahead."*

THE

GUARDIAN

LIFE INSURANCE COMPANY

OF AMERICA

Home Office: New York City

A Mutual Company. Established 1860

GUARDIAN, 87, AND JOHNNY GRAPH-ESTATE, 12, CONGRATULATE THE NATIONAL UNDERWRITER ON ITS 50TH BIRTHDAY

John S. Thompson, prior to his election as president of Mutual Benefit Life in January, 1946, was vice-president and mathematician from 1927 and a director from 1941. Upon graduation from the University of Toronto in 1905 he entered the actuarial department of Mutual Life of New York and continued with that organization until 1926.

He is a member of the leading actuarial societies and is well-known in actuarial circles both in this country and abroad. He was president of the Actuarial Society of America 1932-1934. For several years he was secretary of the American section of the executive council of the Committee for International Actuarial Congresses. In 1934 he became vice-president of the council and attended the 10th congress in Rome as special representative of the United States government.

John S. Thompson

creasing volume of insurance and the increasing weight of annuity business.

Part B of Chart 2 again emphasizes the outstanding growth of life companies' assets after a slight retardation about 1930-33. The growth has been steady, and, when the magnitude of the enterprise is considered, rapid. Savings bank deposits, in contrast, declined fairly rapidly until 1933, remained nearly level until 1942, since which time they have grown more rapidly than the assets of life insurance companies. Total life insurance until 1933, recovered slowly for a few years, and then more vigorously until now there are indications that the 1946 growth may exceed that of any single previous year.

The fact that assets of life companies show greater growth than total insurance in force merits a brief further comment. This feature is explained, in part, by the recent trend to higher-priced life policies originated for retirement purposes, and, in part, to the closely related direct expansion in the volume of annuity contracts. The life insurance reserves of the 20 largest United States life insurance companies at December 31, 1935, as tabulated in the Unique Manual Digest, amounted to $14,057 millions, and the annuity reserves aggregated $1,637 millions; the life reserves were 89.6% of the total, and the annuity reserves, 10.4%. Ten years later, December 31, 1945, the life reserves of the same companies had grown to $23,216 millions and the annuity reserves to $5,313 millions; the life reserves had become 81.4% of the total, and the annuity reserves, 18.6%. In ten years, while the life reserves have increased to 165% of their former amount, the annuity reserves hase grown to 325% of the earlier figure. Considering that the life reserves as of December 31, 1945, include reserves on endowment and income endowment policies, originated for retirement purposes, to an extent much greater than as of December 31, 1935, the relative increase in the weight of annuity business is even more marked than the figures above presented would indicate. We might be misunderstood if we were to say that this trend to annuity business is unfortunate, but it can safely be said that the administration of annuity business in the coming years, with possibly low interest rates and decreasing mortality, will absorb increasing amounts of surplus and that special attention must be given to such trend.

THE conclusions of the 1934 article may be restated somewhat as follows:

1. The long-range survey indicates that the life companies have experienced a development which, as to rapidity and soundness, compares most favorably with other fundamental enterprises.

2. The only decrease in aggregate assets which has so far been observed occurred in 1877 as a result of the panic of 1873, justly regarded as the most severe of all crises previous to that of 1929-33.

3. The conspicuously strong and constructive showing of the life companies since 1929, as compared with the trend of other recognized indices of national welfare, should be abundantly satisfactory to both policyholders and company managers.

The concluding paragraph of the 1934 article, as true as when written, may well be quoted to close this supplementary comment:

> Along with the quality of stability, which has been demonstrated as effectively by what has occurred since 1932 as by what had happened previously, the life insurance companies have displayed an unusual capacity for healthy growth. Through decade after decade, meeting and solving internal problems, and adjusting themselves to investment, underwriting, and agency conditions of widely different eras, they have progressed steadily and, at times, strikingly, generally at a rate of growth greater than that enjoyed by organizations distributing merchandise and services of seemingly greater popular appeal. Presenting to the public only the unselfishness of protection and the desirability of suitable provision for old age, all backed by an organization of unquestionable security, the life companies have accumulated funds which for a considerable period have constituted an increasing share of the national wealth. It would be strange, indeed, if in the presence of an even greater need for security, the institution of life insurance should not continue to increase in size and usefulness after the present emergency shall have become, like its predecessors, a matter of history.

NOTES ON CHARTS

1. All the charts are to be read as a record of relative rates of advance rather than of relative levels of achievement. The "progress" idea predominates even in those cases where, as in Chart No. 1, absolute results instead of indices are represented.

2. All the charts are on logarithmic paper in order that the most rapid rates of growth may be graphed within reasonable limits. The use of such a scale, of course, appears to minimize the rates of change.

3. In general, recent statistical material is more reliable than data relating to the earlier years.

4. Life insurance data are obtained from the "Insurance Year Book" of the Spectator Company.

5. In Chart No. 1, the indices of agricultural, manufacturing, and mining production are based on physical volume, not on values. The index of manufacturing production is derived from the report of the Bureau of the Census and those of agricultural and mining production from the Harvard Economic Society, Inc., supplemented in each case by computations of the National Industrial Conference Board.

6. Curves relating to the growth of railway, telephone, and telegraph facilities are not necessarily expressive of the intensity of utilization.

7. Railway mileage figures are drawn from the reports of the Interstate Commerce Commission, and Railway Freight Traffic data from Dr. Carl Snyder's "Business Cycles and Business Measurements."

8. Data regarding commercial failures are from The Statistical Abstract of the United States. The function charted is the total liabilities involved in such failures.

9. Information concerning bank clearings and savings bank deposits is obtained from the reports of the Comptroller of the Currency.

10. Estimates of national income have been supplied and all material has been charted by the National Industrial Conference Board.

Early Trials of Newsmen With the old Western Union

BY C. M. CARTWRIGHT

THERE has been a notable change in the publicity policy of the Western Underwriters Association. In the days when Western Union, its predecessor, held the reins, newspaper men could find no entry to the sanctum. When meetings were held, nothing was given to the press. In fact, when company officials were in the hotel lobby or outside and a newspaper man approached, they would gradually but gracefully sneak away. There was no one who would listen to the newspaper men, who claimed they were entitled to chronicle the salient points of meetings. For instance, when George T. Cram, president of American Central of St. Louis, was president, he expressed what the others thought. He said, "I will not give you fellows a single item of news regarding the Union. If you get anything outside, well and good. You are entitled to it. You will not get it from me. I will notify other officials and members of the committee that under no conditions are you to be given any information."

C. I. Hitchcock and I were daily newspaper men attending these meetings. We talked with every new president that was elected, told him our situation and urged some reform, but to no avail. At one of the Niagara Falls meetings, Hitchcock and I were sitting out on the porch while the meeting was going on inside. J. A. Kalsey, who was assistant manager of the Royal, came out and told us he felt so sorry that we could not get any news that he was going to tell us something that was then being discussed at the meeting because there was no reason why it should not be published. Because he spun a story which to us seemed perfectly truthful and reasonable, we wired it that night to our papers. The discussion had something to do with agents' commissions and Mr. Kalsey told us there were some powerful executives who felt that commissions should be reduced.

The next day some managers began receiving telegrams from agents protesting against any change in commissions. Eugene Harbeck, manager of the Phenix of Brooklyn, was president. He received several telegrams and found the cause, namely what was published in the two daily papers in Chicago. He called us up to his room. So far as I was concerned, I never received such a severe dressing down. Mr. Hitchcock, as spokesman, told Mr. Harbeck that the members and he especially were to blame for what happened. Then when Mr. Harbeck cooled off we had quite a talk—he said he saw our side of the situation and would now endeavor to have a press committee.

THE condition was not remedied until Charles F. Thomas became secretary of the organization. While, of course, we were not invited to attend the meetings, we did see Mr. Thomas after every session and he freely talked to us about what was going on. If there were some things he felt should not be published, we saw the fairness of his position. He always went as far as he could. Often he would tell us matters in confidence so that we could have some background. Mr. Thomas endeared himself to newspaper men because of his superior judgment, his diplomacy and his fairness. We never had a single fault to find with him. I think, too, that Mr. Thomas never had any difficulty with the newspaper men. So far as I know they stuck closely to what he asked. We would not offend him. Mr. Thomas put his faith in newspaper men and depended upon their integrity and their honesty. We realized that he gave us everything that he could.

So far as the Western Insurance Bureau is concerned it adopted another policy. Just after it was organized we were invited to the office of E. G. Halle, manager of Germania, who had been elected president. Mr. Halle said he wanted us to have full information as to why the organization was established and what it would attempt to do. He let us read the minutes of the organization meeting and those of the executive committee meeting. Succeeding presidents have followed a liberal and fair policy in their relationships with the press. They have given information in which they feel there is public interest.

HAWKEYE CASUALTY
SECURITY FIRE INS.
Setting The Sales Pace

Yes, HAWKEYE-SECURITY Companies are setting the pace for sales minded Agents. Their complete Casualty AND Fire coverages are a hard hitting combination. . . . . PLUS speedy and efficient service to Agents. HAWKEYE-SECURITY Field Representatives are available to help build Agent's sales in any way at any time. Claims are paid promptly . . . . and there is no red tape in handling policies or claims. Those are just some of the reasons that more Agents are swinging to the HAWKEYE-SECURITY Companies . . . and increasing their sales volume.

Hawkeye Casualty Co.
Des Moines, Iowa

Security Fire Ins. Co.
Davenport, Iowa

Friendly, Dependable Companies that Build Agent's Sales

FORMATIVE YEARS

Reminiscenes of "The Ohio Underwriter" and of the men who built the foundations of today's National Underwriter Company

BY G. W. WADSWORTH

Starting in the insurance journal field with THE NATIONAL UNDERWRITER in 1899, Mr. Wadsworth soon became active in all departments of insurance journal operations. He became particularly adept in creating effective public relations processes for insurance companies and agents. This caused him, in 1914, when he left THE NATIONAL UNDERWRITER, to establish an organization later known as the Insurance Public Relations Bureau, which he has since owned and operated.

Carrying on insurance public relations work from 1914 to 1920, he purchased in the latter year the oldest insurance journal in America, which had been established in 1853, renamed it the American Insurance Digest & Insurance Monitor, changed it from a monthly to a weekly, and moved it from New York to Chicago.

G. W. Wadsworth

Now, at 63, with nearly 48 years of insurance journal and insurance public relations effort to his credit, Mr. Wadsworth still works seven days a week and is at his office regularly before 8 a.m. every day but Sunday, though his home is 23 miles out of Chicago. He has built a competence consisting of insurance company and insurance journal stock holdings, other than his two enterprises of which he is the sole owner, but he is happiest in the knowledge that his effectiveness in being constructively useful to others has continued to increase with the years, and in his 11-year-old son and namesake who he hopes will succeed him and carry on the work for at least another half century.

HOWARD Knowles did me a special favor in 1899—without even knowing me. He "advised" his employers, the management of the insurance journal that is now THE NATIONAL UNDERWRITER, that he would take his vacation the first two weeks in August. Had he asked if he "might" use this period for his annual respite from the arduous duties of office boy for "The Ohio Underwriter," the want ad in "The Cincinnati Enquirer" that I answered on Monday morning, August 7, 1899, would probably not have been inserted.

Perhaps I would have found another job in another field of business that day or soon thereafter, for I had started out on Monday morning in search of permanent employment, having moved the week before from Columbus to Cincinnati. I had sold my morning and evening newspaper routes and moved to the larger city to try to get started on a business career. Howard Knowles' ultimatum provided the opportunity for my first application for such employment.

The paper was managed by three men. They were E. J. Wohlgemuth, who had founded "The Ohio Underwriter" in February 1897, printing its first issue under date of February 4 that year; Charles M. Cartwright, who had come to Cincinnati from Chicago on June 1, 1899, to be managing editor; and William S. Crawford, now and for nearly 30 years past, the famed insurance editor of the Journal of Commerce of New York.

E. Jay Wohlgemuth was the younger of the three men, but to me he seemed the older. He was but nine years my senior, in fact only 21 when he started (with a cash capital reputed to be $97) his own insurance journal. He had been employed at Detroit by "The Indicator," then a prominent insurance journal, and there he had started the present great insurance directory service of The National Underwriter Company by compiling the first Michigan Insurance Directory in 1895.

From there he had gone to Louisville, to become associate editor, under the famed Young E. Allison, of "The Insurance Herald," predecessor to the present-day "Insurance Field" of that city. When after a year or two he failed to secure what he felt was a well deserved increase in salary, he decided to move to Cincinnati and go into business for himself. There his brother-in-law, William Griesbaum, an energetic salesman for the Germania Life (now Guardian Life of New York), it was reported, had agreed to go into financial partnership with him, and to put up $300 cash capital for his younger brother-in-law.

In the early days in speaking of his connection with the "Insurance Herald," E. Jay Wohlgemuth said that he was getting $125 per month when he left that paper to start his own business. Shortly after he left, Louis Geldert, business manager of the paper and later its sole owner, offered him $4,000 per year salary to return to the Herald. E. Jay told him that if he was worth that salary now, he was worth it before he quit, and as the Herald had been underpaying him he would not go back.

William Griesbaum knew about the offer E. Jay had received from his former employer and thought he should go back to the Herald at the advanced salary and in an effort to force him to do so, held back the money he had promised to advance him. This added to E. Jay's early difficulties.

Things did not go so well for the new paper. This may have discouraged the proposed partnership because apparently it was never consummated, but this did not deter young Wohlgemuth. He knew he could meet the printers' bills if given a little time. One week he would go out on the road selling subscriptions and advertising space to companies; the next week he would return to Cincinnati to get out the bi-weekly publication. Overhead expense was low — desk room in an insurance office where Harry M. Diggins was cashier and where Diggins could look after the bookkeeping duties—cost only a few dollars a month.

When the first issue of the "Ohio Underwriter" came out, E. Jay Wohlgemuth had to make a deposit at the Cincinnati postoffice to guarantee payment of postage as printed matter in case he should be refused second class mailing privileges, and this tied up practically all his cash. The deposit, except enough to pay second class postage, was refunded to him later.

Though never quite caught up with the printers' bills, E. Jay Wohlgemuth soon started to employ others. Gradually he builded an organization. He employed a fulltime bookkeeper, Henry Bulow; a stenographer, Laura Poggendiek; and an office boy, Howard Knowles. He found at Canton, Ohio, a man employed in the Per Lee Welty local agency, George H. Robinson, who was eager to travel on the road. He was fortunate in having William Sterling Crawford recommended to him by Sam Leake, editor of a trade journal, and in findwork.

Slowly Wohlgemuth builded the paper's income and early in 1899 felt able to offer a great insurance editor from Chicago an acceptable opportunity. This brought the famed Charles M. Cartwright into the organization on May 1, 1899. Immediately it was certain that the editorial department of the paper was destined to future greatness.

THERE were other events occurring which had an influence and bearing on the progress of the publication. Over in Indianapolis there was another insurance journal published every week, named "Rough Notes." It had been established by Dr. H. C. Martin in 1876. Dr. Martin previously had represented Northwestern Mutual Life, and was one of the four agents of that company who attended its first agency convention.

Dr. Martin's only son, Louis H. Martin, was associated with his father in the management of "Rough Notes." He had grown up in the insurance and insurance journal business. The Globe-Wernecke Company at Cincinnati decided to make and sell vertical files, office furniture and supplies for insurance offices—to go aggressively after such trade—and they secured the services of Louis H. Martin to build that department of their business. He moved to Cincinnati and there met George H. Robinson who was doing the road work for the "Ohio Underwriter." Martin sold George Robinson the idea of going with the Globe-Wernecke Company to travel and sell supplies to insurance companies and agents.

Vertical filing was just coming into use. Every office was a prospect. The old time letter copybook, which we still used when I got my job, was on the way out. E. Jay Wohlgemuth, when Robinson left, searched for someone to do the road work. He found another man in West Virginia, A. B. Fullerton, who was working in an insurance office in Charleston. Like so many insurance agents, Fullerton was anxious to get traveling sales experience, so that he might sometime qualify as a special agent for a fire insurance company. Field work was glamorous. It was the one job local agents and their employes envied, especially the younger men. So A. B. Fullerton became associate manager of the "Ohio Underwriter", succeeding Robinson.

The little paper then had a staff composed of E. Jay Wohlgemuth, C. M. Cartwright, Henry Bulow, Laura Poggendiek, A. B. Fullerton (with Harry M. Diggins for parttime)—and an office boy. At that time the paper's total annual income was less than $11,000.

Henry Bulow was full of wry humor. He delighted in asking the errand boys from the printers, "Be you the printers' devil?" Bulow took dictation in shorthand from the editors when Miss Poggendiek was busy. He wrote the Pitman shorthand system, which I had learned at high school. Henry took notes and I wrote the letters on the Williams typewriter (the keys rested on an ink pad on this oldtime make). As a reward he showed me how to keep the company's books. I had learned the theory in high school. When he left I was temporarily promoted to bookkeeper. Henry was getting $75 per month—I was then increased to $4 per week. Later Miss Poggendiek married a Mr. Heckle, who was an agent of Travelers at Cincinnati. Then I became stenographer also. Later, in early 1902, A. B. Fullerton got the job he longed for as special agent for the Continental. I added business-getting to my activities. I still was office boy, too.

When I first went with the paper I heard a story that may or may not have been true. Keeler and Gallagher had been appointed general agents at Cincinnati for the western department of the Aetna and in its second or third issue the "Ohio Underwriter" printed a big story about this appointment. The new general agents sent a copy of the issue to each of the Aetna agents in their territory—some thousand or so—and this order at 25c per copy brought enough affluence to the paper that its printers' bill was paid in full to date. Maybe it was not so narrow a squeak as that—but apparently this helped the bank ac-

Great American
Insurance Company
New York
INCORPORATED 1872
AMERICAN ALLIANCE
INSURANCE COMPANY
NEW YORK
MEMBER Great American GROUP

ON OUR ANNIVERSARY WE SAY:

"Anniversary Greetings to You!"

We salute "The National Underwriter" on the fiftieth anniversary of its founding. The service this fine publication has rendered over the past half-century deserves sincere praise.

We're proud, too, that we can share in "The National Underwriter's" anniversary joy. 1947 marks the 75th Anniversary of the Great American Insurance Company, and the 50th Anniversary of the American Alliance Insurance Company, both members of the Great American Group of Insurance Companies.

GREAT AMERICAN GROUP

of Insurance Companies

Great American
American National
Massachusetts Fire & Marine
Great American Indemnity
County Fire
North Carolina Home
American Alliance
Detroit Fire & Marine
Rochester American

count and morale of the paper's management.

The famed Thomas E. Gallagher was a member of the firm of Keeler and Gallagher. He was our landlord. It was in the Aetna building that I got my first job. There were 31 other boys draped on the stairs surrounding the elevators awaiting the decision of William S. Crawford. He carefully interviewed each of us. He always has done his work painstakingly and fairly. I think he chose me because of my schooling in bookkeeping and stenography.

E. JAY WOHLGEMUTH

E. Jay had long wanted to improve his formal education. He had been obliged to go to work at an early age and did not complete high school. He wanted to attend the University of Michigan, in his home state, so after the paper was safely under Cartwright's editorial direction, he went to college. He attended Michigan for three years, took a one year vacation with his older brother, George, in Lower California, and then went to Pomona College at Pasadena to complete his four years of college work.

While at Michigan E. Jay joined the Phi Delta Theta fraternity. The great insurance man and printer, George Banta of Menasha, Wisconsin, was also a member and his firm still prints its annual yearbook. George Banta was state agent of the Phenix of Brooklyn in Wisconsin. He became interested in his fraternity brother, Wohlgemuth, because of his insurance background and later got a large printing contract through his diligence in following Wohlgemuth's enterprise as a prospect. Another famous personage E. Jay met at Michigan University was Dr. James W. Glover. He encouraged Dr. Glover to develop his actuarial classes, from which have come so many of our present-day life insurance actuaries and company officials.

E. Jay was a fraternity brother at Michigan of Roy Chapin, who later became head of the Hudson Motor Company. Those were the days when even automobile manufacturers would take part of the price of a car in advertising space. Many other firms, including railroads and hotels, exchanged service for advertising space; some 100 per cent. E. Jay became the proud possessor of a Hudson automobile—one of those with the steps running up in the rear. Occasionally I was invited to ride in the Hudson—my first automobile rides. He paid only a couple of hundred dollars in cash for the car—the balance was in advertising space.

In those early days I started to do some of the traveling for the paper, soliciting subscriptions and advertising and securing data for the Ohio Insurance Directory. Traveling costs were modest. In the small towns the hotel room with bath and three meals cost only $2 and $2.50 per day. Even at such famed hotels as the Claypool at Indianapolis, then new, the daily rate for room and meals was only $3.50. Tipping was not universal and a dime tip would cause even the best waiter to try to bring you everything on the menu to earn it.

We exchanged advertising space in the paper for railroad fares and other services and commodities. Some railroads issued us scrip books from which the proper fare was torn by the conductor after we were on the train. Other railroads gave tickets on requisition, charging them against what they used in advertising space. Rate control of the railroads by the Interstate Commerce Commission stopped all this, much to our regret.

E. JAY WOHLGEMUTH

E. Jay would come back to Cincinnati for a brief visit before going on his summer vacation, bringing with him fellows from school whom I got to know. One I particularly remember is Paul Stekete, who later inherited his father's famous department store in Grand Rapids. E. Jay would see that everything was in order and that the office was busy—then he was on his way with his friends to his summer habitat. He liked the outdoors and spent much time roughing it in the summer time. One summer, having probably visited the neighborhood before, he bought for $200 a small island in the Thousand Islands group—which he called Crow Island. We sent his mail to either Clayton, New York, or Ganonoque, Ontario. The second summer after this purchase he arranged with a local handyman to help him build a house. He bought a motor boat. I believe E. Jay still owned Crow Island when he died in 1938—at the early age of 63.

During E. Jay's summer vacation in 1903, on his way to the Thousand Islands district, he stopped at Pittsburgh to see the newly organized Reliance Life. This was the first company with a $1,000,000 capital. It was backed by the wealthy men of Pittsburgh. E. Jay sold Reliance Life a $100 ad, but they would not agree to pay it all in cash, asking that $50 be taken out in trade. The $50 due-bill E. Jay turned over to me. By that time I had been selling advertising by mail to the various companies and I was a little anxious for them not to know that I was only 19. I decided to take a $4,000 ten-year term policy, on which the premium at age 22 was $52.68, so I gave that as my age, paying the extra $2.68 out of my own pocket. I carried the policy the one year and dropped it. It was policy No. 475. The company sent me a premium notice and a "second notice" for the second premium, but that was the last I ever heard about the matter.

E. Jay made it possible for his two younger brothers, John and Albert, to receive the advantages of a college education. John Wohlgemuth went to Notre Dame and then studied law at the Cincinnati Law School, from which he was graduated. He became associated with the claim department of Travelers at its branch office in Cincinnati, and later joined "The Western Underwriter" when our paper's editorial department at Chicago was enlarged. John became president of the company after E. Jay's death in 1938 and held that office until his own demise in 1944, when he was succeeded by Howard J. Burridge. He had come with the paper in 1914 as a young boy and from that day to this never has done anything less than remarkable work in the field of insurance journalism.

Albert Wohlgemuth was sent to prep school and to the University of Michigan by E. Jay. During his summer vacations he worked for the paper at the Cincinnati office. E. Jay issued only one instruction in connection with Albert. It was that work be found for him that would keep him busy. This request was followed. For many years Albert has been the capable president of Rough Notes, Indianapolis, and a worthy citizen in every respect.

E. Jay finished his four years of college work in 1907 with a larger literary ambition than he believed insurance journalism held. In the meanwhile, in fact before Cartwright moved the editorial office from Cincinnati to Chicago, another insurance journal, "Black and White," a monthly belonging to Colonel J. H. Kellogg, which E. Jay Wohlgemuth had bought, was merged into "The Western Underwriter." That was when "The Ohio Underwriter" became "The Western Underwriter." It had taken on a wider field and later on widened its field further and became THE NATIONAL UNDERWRITER. The paper was going along well and

(Continued on page 289)

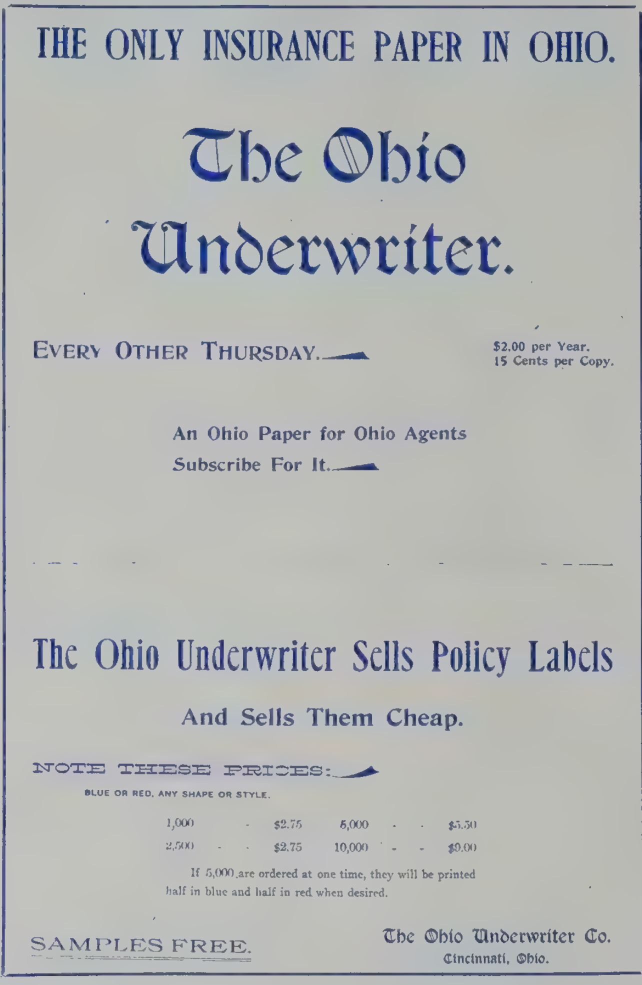
First "Ohio Underwriter"

APART from being collectors' items, first editions usually are either premature gravestones or cornerstones of successful enterprises in the publishing field. The first edition of The Ohio Underwriter, which appeared February 4, 1897, marked the launching of a venture that was not timidly undertaken.

Without much fanfare, E. Jay Wohlgemuth, editor, publisher, salesman, reporter, at that time the only full time employe of The Ohio Underwriter, started off with a crisp editorial warning to insurance agents to caution their patrons to be "extra careful during freezing spells like the one of last week" because of a series of what he described as "unprecedented fires."

But in his second editorial in the first issue he took up the criticisms of new insurance journals. Another young editor, preoccupied with the immediate problems of starting a business, might have tested the field in a less forthright way.

"This talk and complaint about too many insurance journals seems to us the worst kind of nonsense," Mr. Wohlgemuth's second editorial stated. "It does not follow that because a firm or company's enterprise comes under the head of insurance journals, that it must necessarily be provided with patronage to insure the payment of expenses and profits."



THE ONLY INSURANCE PAPER IN OHIO.

The Ohio Underwriter.

EVERY OTHER THURSDAY.

$2.00 per Year.
15 Cents per Copy.

An Ohio Paper for Ohio Agents
Subscribe For It.

The Ohio Underwriter Sells Policy Labels

And Sells Them Cheap.

NOTE THESE PRICES:

BLUE OR RED, ANY SHAPE OR STYLE.

1,000	$2.75	5,000	$5.50
2,500	$2.75	10,000	$9.00

If 5,000 are ordered at one time, they will be printed half in blue and half in red when desired.

SAMPLES FREE.

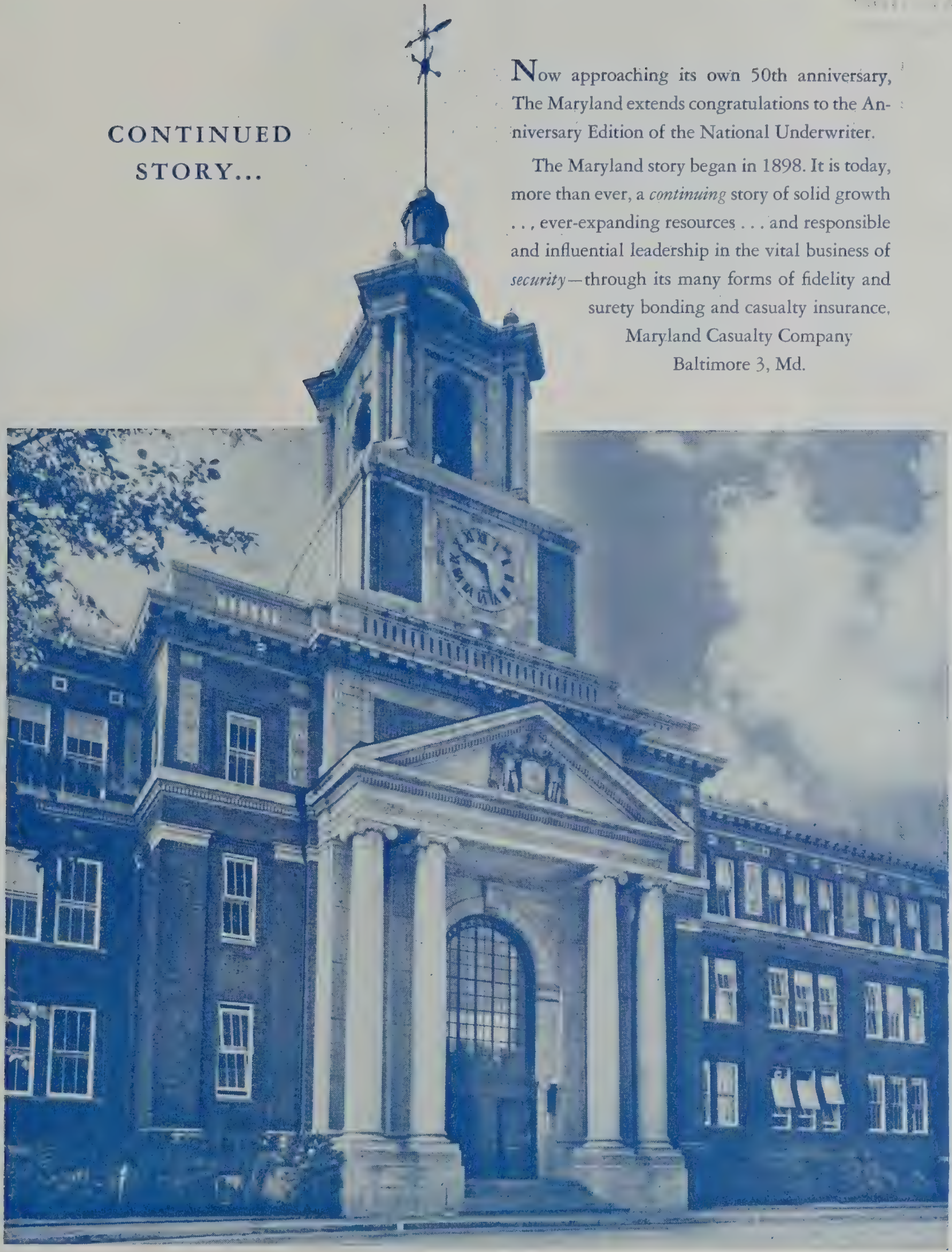
The Ohio Underwriter Co.
Cincinnati, Ohio.

CONTINUED STORY...

Now approaching its own 50th anniversary, The Maryland extends congratulations to the Anniversary Edition of the National Underwriter.

The Maryland story began in 1898. It is today, more than ever, a *continuing* story of solid growth . . , ever-expanding resources . . . and responsible and influential leadership in the vital business of *security*—through its many forms of fidelity and surety bonding and casualty insurance.

Maryland Casualty Company
Baltimore 3, Md.



THE MARYLAND

All forms of Casualty Insurance, Fidelity and Surety Bonds for business, industry and the home, through 10,000 agents & brokers.

The Biography of a Lively Man

BY LEVERING AND C. M. CARTWRIGHT

In the newspaper business, a biography is called "an obituary," and the archives where clippings of information about persons and personages constitute "the morgue." The entomology of these two brutal phrases is not a subject for present study. We bring up the subject in order to make the point that the following obituary really classifies as a biography because it is about the livest and liveliest man in The National Underwriter Company. That is why he is head man.

H. J. Burridge

There is always something you can say about a man—his dates, jobs, age, and the like. But to make a full length portrait in words of such material creates little that is of interest to anyone except the man himself. A biography is a difficult thing to make at once interesting and honest. The following portrait is unusual because it lives up to both those standards and has two authors, C. M. and Levering Cartwright. In the past 34 years, these two have endured much and enjoyed a lot with the subject of the portrait.

We should like to add one comment before opening the curtain. This is one biography which practically every one in the company would have been glad to write: To each of them—salesman, editor, department head or stenographer—it would have been a pleasure.

* * *

YOU have to start off any characterization of Howard J. Burridge, president of The National Underwriter, with a lot of big "howevers."

1. He stands only 5 feet, 4½ inches;
2. He wears a size 6½ shoe and has to go to the boys' section for them;
3. To see a show he has to sit in the first row and use opera glasses;
4. He never got to go beyond eighth grade in school.

HOWEVER—

1. His vitality, aggressiveness and mighty sense of humor transmute his pint size into a distinguishing asset.
2. He saves money on his shoes.
3. No comment.
4. His lack of formal education turns out to be another asset because his consuming thirst for knowledge, especially in the field of the humanities, has driven him to read as much main line classical and modern literature as most Ph.D.s have read, and his reaction to his reading is not shaped by any academic concepts. His responses are fresh and individualistic and his judgments on the big name writers of the past are as unaffected by authoritarianism as are his judgments on current writers, concerning whom any one is entitled to have an opinion.

Incidentally, Mr. Burridge's mother recently dug up her son's graduation diploma from the Samuel B. Huey public school in Philadelphia in 1909. This he had framed, and it occupies a prominent place on his office wall, along with the painting of a dollar bill done by the mother of a National Underwriter salesman, and some sort of certificate from American Airlines.

And, Mr. Burridge not so long ago was offered the presidency of a state university.

The other day a woman executive of an advertising agency, calling at his office, saw the diploma and slapped her hips in delight. She said it gave her a great idea. She said that she had employed dozens of young men and women, all of whom had been able to produce college diplomas and some had M.A.s and Ph.D.s, but few of them could spell or reduce any ideas to paper in a straightforward way. Most of them, she suspected, had skipped grade school and hereafter, she said, she is going to call for grammar school diplomas from all job hunters.

EXCEPT for earlier experience as a bell boy on lake steamers and as a salesman for the Cutler Shoe Company at Chicago, where he had drummed into him the managerial instruction "Get the gelt," he has been a National Underwriter man all his business life—34 years.

Mr. Burridge's mother, who was widowed and who still lives at Chicago, answered an advertisement and was employed by The National Underwriter in 1910 in a clerical capacity. She soon demonstrated her superior ability and became bookkeeper and cashier. She didn't think much of a shoe clerk's career for her son and she got him a job at The National Underwriter.

After some intensive briefing, he was sent into Ohio to work up the information for the state insurance directory and to sell subscriptions and supplies. He soon got the feel of the job and was assigned to travel in other territories, particularly the northwest. At the same time his native curiosity bred an editorial sense and he developed much news as he went his rounds.

His editorial value was dramatically impressed upon the editors in 1918 when forest fires swept the Minnesota region in the neighborhood of Bemidji and caused extensive insurance loss.

Mr. Burridge was at Minneapolis at the time. He knew this was a big insurance news story, but he was afraid to spend the money to go to Bemidji to get it. However, he cornered field men and adjusters as they returned to Minneapolis and constructed just the kind of a news story that insurance readers wanted. Some of the other correspondents went to Bemidji and drew on their stock of adjectives to describe the horror and drama of the fires, but he got the insurance angles.

Despite his lack of height, he was a muscular and audacious youth. He had no fear and his fists were always ready to fly, but he rarely had to use them as he talked a good fight and the adversary usually wilted after hearing Mr. Burridge recite his bloodthirsty intentions.

One day he called on the proprietor of a hail insurance company at St. Paul that had been treated to some sharp criticism in The National Underwriter. This man blew up, went into a rage, gave him and his paper a lacing and announced he was going to toss the visitor out on his ear.

Whereupon Mr. Burridge picked up a heavy glass ink stand on the man's desk, dumped its contents over the papers on the desk and threatened to bash the man with the ink stand if he made a false move. Mr. Burridge was permitted to retire in dignity.

ABOUT 1918, due to the serious illness of C. M. Cartwright, the managing editor, the editorial department was short handed and Mr. Burridge was taken off the road to become an editor and reporter. In his editorial work he was an individualist. He had not been broken to the newspaper style, but he possessed a natural gift of expression and a command of language gained from his reading. Also he had a good grasp of insurance, a well developed news sense and an ability easily to get on a man-to-man basis with news sources.

Mr. Burridge at this time developed a humorous style of writing influenced largely by Ring Lardner and he turned out pieces on topical matters and personalities in the news in the form of "Letters from a Bush League Agent." He got a large following on these. Many years later he got his humor channeled into print again and when the spirit moves or he is coaxed by an editor who wants some relief from public law 15 literature, he whips out something on the lighter side on the trials of a special agent under the heading "In the Field with Old Ironsides."

Later on the need in The National Underwriter was for a sales manager and Mr. Burridge was tapped for this. Unfortunately this entailed work mainly of an internal nature and he was not able to keep moving as actively in the insurance world as he had in the past. He welded an organization of loyal, effective salesmen and this occupied more and more of his attention.

Mr. Burridge had to study and train his force of salesmen along modern lines and he developed very successful sales techniques. The company had no branch offices. He felt that the salesmen were covering too large a territory. They were only hitting the high spots. Therefore he decided to reduce the size and employ more men. He soon found that a salesman could more effectively develop a smaller area.

He decided on office headquarters for the salesmen, in addition to Chicago and Cincinnati. He selected San Francisco, Des Moines, Minneapolis, Dallas, Detroit, Atlanta, Philadelphia, New York, Boston and Kansas City. Each salesman now represents The National Underwriter not only for advertising, but for everything that it has to sell. He is The National Underwriter man in his territory. In this way, the company gets a well rounded class of business, and it has resulted in the very best production from each man in his territory.

IN his sales management work, he has not gone by the book. He has dealt with each man completely as an individual. His pace is amazingly varied. He enters into night-time fun with the men with the utmost gusto, leading the singing with talent inherited from his choir boy days and ready to do anything and go anywhere. But the next morning the boys find a stern task master facing them, and they like it.

Gradually Mr. Burridge was leaned upon more and more extensively by others in the organization besides the salesmen, not only for help on business situations but in a personal way and he became in title and in fact the general manager. Hence upon the death of John F. Wohlgemuth a few years ago, there was never any doubt on whom the mantle should fall. Mr. Burridge was elected president and moved from Chicago to Cincinnati where the head office is located. He still devotes most of his attention to sales management work, but there are numerous other matters to try his endurance and he is, as he so frequently in jest claims to be, "a big executive."

HOW DO YOU MEASURE *a Life Insurance Company?*

LIFE INSURANCE COMPANIES can't be measured by any one yardstick, but a number of important questions should be asked.

1. HOW SOUND IS THE COMPANY? Provident Mutual's 82nd annual statement shows that assets rose to 545 million dollars in 1946, an increase of 6%. Legal reserves and other liabilities stand at 511 millions. In addition, special and contingency reserves of 34 millions are available for emergencies and depreciation.

2. IS THE COMPANY PROGRESSING? Insurance in force reached a new all-time high of one billion two hundred million dollars, representing the largest gain in our history. Last year Provident Mutual sold 112 millions of new life insurance, nearly half again as much as in 1945 when new sales were at their highest peak in ten years.

3. DOES IT RENDER GOOD SERVICE? The Provident is a mutual company, run for the benefit of its policy owners. Its agents are carefully selected for character and ability. It pays claims promptly. Death claims, matured endowments, dividends, and other payments, amounting to 27 million dollars were paid last year to policy owners and beneficiaries, bringing the total payments since 1865 to 833 millions.

4. ARE ITS RATES FAIR? Provident Mutual has been noted over the years for economical management and fair dealing to policy owners. It does not operate for profit, but applies its earnings for the benefit of its policy owners. It is known as a company with a low net cost.

5. WHAT DO ITS POLICY OWNERS THINK ABOUT IT? Every year a high proportion of new Provident Mutual life insurance is bought by present policy owners. Last year only 1.3 per cent of insurance in force was allowed to lapse or be surrendered—an excellent record. The average policy of new insurance reached a new high figure of $6508.

For a very successful year, the officers and directors of Provident Mutual express their appreciation to the Company's agents, its employees, and its fine group of policy owners who have made its progress possible.

M. ALBERT LINTON, *President*

82nd ANNUAL STATEMENT

As of December 31, 1946

ASSETS

U. S. Government Bonds	$264,121,391
Other Bonds	155,857,258
Mortgages on Real Estate	57,711,411
Stocks	25,182,230
Loans on policies	19,486,116
Real Estate	9,551,093
Cash in banks and office	4,203,944
Accrued interest	2,727,127
Overdue interest	307,839
Deferred and uncollected net premiums, etc.	5,469,973
Total admitted assets	$544,618,382

LIABILITIES

Reserve for policies and supplementary contracts	$479,770,062
Dividends left with company	12,852,239
Dividends set aside for distribution in 1947	4,454,000
Premiums paid in advance	8,233,145
Policy claims	2,130,785
Estimated taxes accrued, payable in 1947	789,820
Miscellaneous liabilities	2,463,578
Total liabilities	$510,693,629
Special reserve	3,550,375
Contingency reserves	30,374,378
Total, equaling the assets	$544,618,382

A copy of the Company's Annual Report, including a list of bonds and stocks owned, will gladly be sent on request.

PROVIDENT MUTUAL LIFE INSURANCE COMPANY of PHILADELPHIA

TO LIVE SO LONG

The people, the principles, and the publications that have contributed to the 50-year record of the National Underwriter Company

BY HOWARD J. BURRIDGE

It is never an accident when any business organization manages to stay in existence for 50 years. Anyone who follows the statistics knows that business failures are so numerous and frequent as to make the record a startling one to contemplate. Those relatively few companies that are able to advertise such statements as "A half century of service," or "Our 100th year," are certainly the exceptions. Wars, panics, depressions, changes in management, faulty judgment, greed, overextension, and dozens of other situations and contingencies, wipe out a great majority of the business enterprises that are launched.

That is why it is interesting to determine what it is that has kept a 50-year-old enterprise alive, what has made it tick, and why it has succeeded in a definite, positive way while others in the same field have either fallen by the wayside or managed to make little or no progress. Most of those in the insurance business, I believe, have more than just a passing interest in The National Underwriter Company, and might like to acquire some understanding of why it has become the leading insurance publishing organization during its first 50 years of existence, particularly when it is realized that it is not the oldest insurance publishing company in the country. From a small start on borrowed money in February, 1897, it is now the dominating insurance publishing organization of the United States, issuing more insurance publications of one kind or another than any other insurance publishing company, and employing more people to carry on its various activities than any other similar organization.

George W. Wadsworth has written the story of the early days of the old "Ohio Underwriter," later "The Western Underwriter," and finally The National Underwriter, and what he has recorded is to be found elsewhere in this issue. He was one of the company's first employes. He left in 1914, and I came on the scene in 1913. He has explained in detail how what is now The National Underwriter Company got its start, and has described its early struggles. In what I am writing here, I want to outline what might be termed the modern history of the company, a description of how it has developed from 1913 to the present time, and I want especially to explain what I feel to be the reason for the company's success and development.

This may not be so difficult as at first might be imagined. When I began with the company, it had nothing to offer to the insurance world except "The Western Underwriter," which was then published in one edition, embracing fire, life and casualty; "The Industrial Review," Chicago Insurance Telephone Directory, hand-books for the few middle western states, and a few comparatively unimportant insurance supplies, such as household inventories, policy labels, customers' expiration books, etc. Except for these things, all of the company's present long list of insurance publications and practically all of its employes have been added since 1913.

The growth and expansion of our company is due primarily to the diversification of its business. That is, it has grown and prospered because its management has had the foresight to add one publication after another to its list. In addition, it has had the wisdom to place a competent man in charge of each new publication, so that someone has always had definite responsibility for each new thing that was begun. The determination to add every possible publication for which there was a need, or for which a need could be created, has built our business to its present large size, and has produced an imposing and diversified array of publications and services.

Many may not know that the company's founder, E. J. Wohlgemuth, published a hand-book of Michigan before producing the first issue of "The Ohio Underwriter," his original paper. Soon after this, he began issuing a handbook for Ohio each year. The fire and casualty companies in particular found these books to be useful and even essential, and so it was only natural for E. J. to begin publishing them in additional states as his business grew, and as he had the manpower with which to carry it on. Thus one book after another was published in the middle western states, until today we get out 19 handbooks covering 31 states. These are more books than are published by all other insurance publishers combined. To compile and issue them is quite an expensive operation. Licenses have to be copied in each state for which books are published, National Underwriter field men travel each state thoroughly, so as to gather and check the information, and 20 employes in the hand-book department in Cincinnati are needed to compile the books. For the last 28 years Mrs. Nell Boner has been in charge of this work, supervising the many details that enter into its publication. She is a skilled and experienced compiler.

As long ago as 1907 we started an accident and health publication. Originally it was called "The Industrial Review," being published for weekly premium industrial accident and health companies and agents. Some years later the name was changed to "The Accident & Health Review." It is the only paper published devoted entirely to the accident and health business. Its original editor was William S. Crawford, now insurance editor of the "Journal of Commerce" of New York. Its next editor was C. W. Van Beynum, now publicity director of Travelers, who passed the editorial mantle along to Richard C. Budlong, at present editor of "Life Insurance Selling" and "The Local Agent." When he left to become publicity director of Northwestern National Life, Frank A. Post assumed the editorship of "The Accident & Health Review," and has continued in that capacity ever since. Frank Post is known to and respected by more accident and health company officials than any other insurance journalist. His observations on the disability business have influenced the policies pursued by the companies in the accident and health field. His knowledge extends beyond the bounds of accident and health insurance because he is also associate editor of The National Underwriter, which position he has held since 1919. Mr. Post has been a newspaper man all of his life, having been graduated from the University of Kansas and done newspaper work in that state, as well as in Chicago, before entering insurance journalism.

Frank A. Post

It was in 1912 that the Insurance Exchange Building at 175 West Jackson Boulevard in Chicago, opened its doors. Today it is the largest office building in Chicago, an annex having been built in 1928, and it is recognized as America's greatest insurance building. It was promoted by Napoleon Picard, who persuaded insurance companies and agents, scattered up and down La Salle street and the financial district of Chicago, to gather themselves together in one building. When the building opened C. W. Van Beynum persuaded us to publish an insurance telephone directory, containing the new office and telephone numbers of all of those engaged in the insurance business in Chicago. This insurance telephone directory was circulated freely and without charge. It was received enthusiastically because it had a real usefulness, particularly because practically all of the insurance offices in the city had changed both their addresses and telephone numbers. Finding the book to be so useful and in such demand, we continued to publish it each year after 1912, until today it is a large, comprehensive book that is to be found on the desk of nearly every Chicago insurance man. Recognizing that a book of this type might be useful, not only in Chicago, but in other large cities, we began the publication some years later of similar books in Detroit, Philadelphia, Pittsburgh, Baltimore-Washington, Dallas-Houston, and Boston. These books are circulated without charge in the nine large cities, being supported by advertising. Similar books are published for some of the other large cities by other insurance publishing organizations, but in this, as in so many other cases, The National Underwriter Company was the originator.

The third expansion of our scope came in 1913 when a fire insurance course was published, and then others covering property insurance, casualty insurance, etc., were added later. These two publications covered fire and casualty insurance, and the first move to enter the life insurance field came also in 1913, when publication of "The Policyholder's Digest," now called "The Unique Manual Digest," began. Eugene G. Webb of Texas was the original compiler of it and for some years served in that capacity for us. The book was called originally "Webb's Policyholder's Digest", in 1916 the name was changed to "Policyholder's Digest," and in 1919 our life insurance statistical publication business was expanded considerably by our purchase from Sampson Dawe of Boston, of "The Little Gem Life Chart" and "The Unique Manual." "The Policyholder's Digest" was combined with "The Unique Manual" and the consolidated book called "The Unique Manual Digest."

The year 1919 was an important one for us, not only because "The Little Gem" and "Unique Manual" were acquired from Sampson Dawe, but also because in that year we began to publish "The Diamond Life Bulletins." This service, now the leader in its field, was con-

Congratulations and Best Wishes

to a publication that has contributed much to the prestige of the Institution of Life Insurance. You have played an important role in advancing the aims, ideals and accomplishments of the Life Underwriter and his chosen profession.

Peoples Life, the friendly company of Indiana, on her fortieth anniversary, extends greetings to The National Underwriter on her Golden Anniversary. We congratulate you on your fifty years of successful service and wish you many more years—successful, profitable, happy.

PEOPLES LIFE INSURANCE COMPANY
FRANKFORT, INDIANA

Abner Thorp, Jr.

ceived by Abner Thorp, Jr. who in 1919 was an agent of Provident Life & Trust, now the Provident Mutual Life, in Cincinnati. Prior to entering life insurance work, he had been an attorney and had a studious, creative and penetrating mind. He brought to E. J. Wohlgemuth the idea of a life insurance statistical service to be published monthly, and later the plan for a sales and tax service, all of which were developed with the passing of the years and are now so familiar to life insurance men everywhere. Mr. Thorp is still functioning as the head of the National Underwriter's Diamond Life Bulletins department, and is one of the most widely known figures in the life insurance business.

Some years later, in 1934, the need for a separate service, to be published for agents, was seen and publication was begun of the "Agent's Diamond Life Bulletins." A. R. Jaqua was the original editor, serving as such from the time the Agent's D.L.B. began publication in 1934 until he left in 1945 to teach the life insurance course at Purdue University.

H. P. Gravengaard

His successor as editor of the Agent's Diamond Life Bulletins, H. P. Gravengaard, is thus its second editor. Under his leadership it has attained a large circulation. Mr. Gravengaard, a seasoned and experienced life insurance man, having been general agent of Aetna Life at Columbus, Ohio, and New England Mutual at Toledo, is one of the leading life insurance editors of his day, and a forceful and dynamic speaker. He is the author of numerous life insurance books, brochures and pamphlets, which have had an extraordinarily wide circulation among life insurance field workers.

E. F. Gray

For the past 18 years, the business manager of the various publications of the Diamond Life Bulletins department has been Eugene F. Gray. In addition to supervising the business side of the work he has visited numerous home offices, explaining the uses and advantages of the D.L.B. publications, and assisting companies in formulating their agency training programs.

H. E. St. Clair

A recent addition to the Diamond Life Bulletins department is Harold E. St. Clair, who recently became associate editor after an extended experience in life insurance work. For the past four years he has been with a prominent eastern life company, having been its director of training, before joining the Diamond Life Bulletins staff.

IN preceding paragraphs I have mentioned the year 1919 as being one in which definite expansion and development took place. That was surely the case with THE NATIONAL UNDERWRITER itself, which in that year began to be published in two separate editions, one for fire and casualty and the other for life. Until then, the whole field of insurance had been encompassed in one edition. One year later the now famous blue cover was inaugurated and has been used ever since.

C. M. Cartwright

Others have written of C. M. Cartwright and his early contribution to the development of the whole National Underwriter enterprise, but I was associated with him during what I am sure everyone will agree were his best years as an active editor. For a number of years after the departure of William S. Crawford and C. W. Van Beynum, I was his right-hand man in the editorial department in Chicago. Even after 1922 when I was shifted to the management of the business department, I continued to do considerable work of an editorial nature, and so I had a close working association with C. M., extending over some 20 years. Aside from whatever anyone else may have said about him in this 50th anniversary issue, I should like to get down on paper my own thumbnail estimate of him.

In his active days he was one of the hardest workers I have ever known. He arrived at the office every morning at 8 o'clock, took less than half an hour for lunch, and did not leave before 5 at night. He always carried galley proofs with him, which he read on the train going to and coming from his home in Evanston, and he always did work at home. He would carry a pocketful of house organs home with him which he would mark up for others to rewrite. He believed in being on the street as much as possible, and was never what could be called a "desk" editor. He became the best known insurance journalist in Chicago because he simply haunted the offices there day after day. It was always his plan to talk to not only the top man in an office, but to all of the rest of them all along the line, and he is still doing that to this day. No one ever found more jobs for insurance men than C. M. Cartwright, who was always willing to listen to anyone in trouble, out of a job, or unfavorably circumstanced in any way.

His memory is astonishing and his ability to speak in public, with or without notice, is amazing. He is completely at home on his feet, can make the most graceful introductions imaginable, and his comments on a speaker's efforts are always concise and complete. He continues to preside over the monthly insurance luncheons at the Union League Club, and though now he is unable to see either his audience or those whom he is to introduce at the head table, he does no fumbling or hesitating, but carries the program through in the same masterful style that was so typical of him 20 or 25 years ago. He is modest, self-effacing and always maneuvers the conversation so that it is not about him, but about the one to whom he is talking. He has lived a simple, completely unextravagant life, and has never forgotten that he came from a farm near Waynesville, Ohio, of Quaker parents. He is still bringing in news stories, comments, observations, and material for editorials. His vision is so poor that he cannot take notes or edit anything that he writes, but he does not allow this to prevent him from carrying on every day. After more than 50 years he is still making the rounds and functioning as a working insurance newspaper man. He is beloved by the business he has served for half a century and by his associates, and has made a contribution to the insurance business and to insurance news gathering and editing, the value of which is inestimable.

L. Cartwright

TO his son, Levering Cartwright, has been passed on the responsibility for the active managing editorship of THE NATIONAL UNDERWRITER. A Princeton graduate, Levering Cartwright spent several years on the reportorial staff of the Chicago "Tribune" before coming with us in 1930. As a consequence he brought us a daily newspaperman's point of view and instilled this in those associated with him in the business of putting the two editions of paper together each week. The effect of this has been noticeable during his 17 years with the company. He is responsible for many innovations and changes that have been made editorially, and for the publication of a number of new features that have proven popular. Unquestionably Levering Cartwright is one of the outstanding, capable editors of his time, with an acquaintance that is countrywide and so large as to be astonishing. Because he is known to so many insurance men, he knows where to go to get a story or to embellish or extend it. His coverage of a story is complete and invariably well done. He moved into his present position naturally and capably. In recent years he has been gathering together a staff of younger men, who have attracted attention on their own account.

R. J. Thain

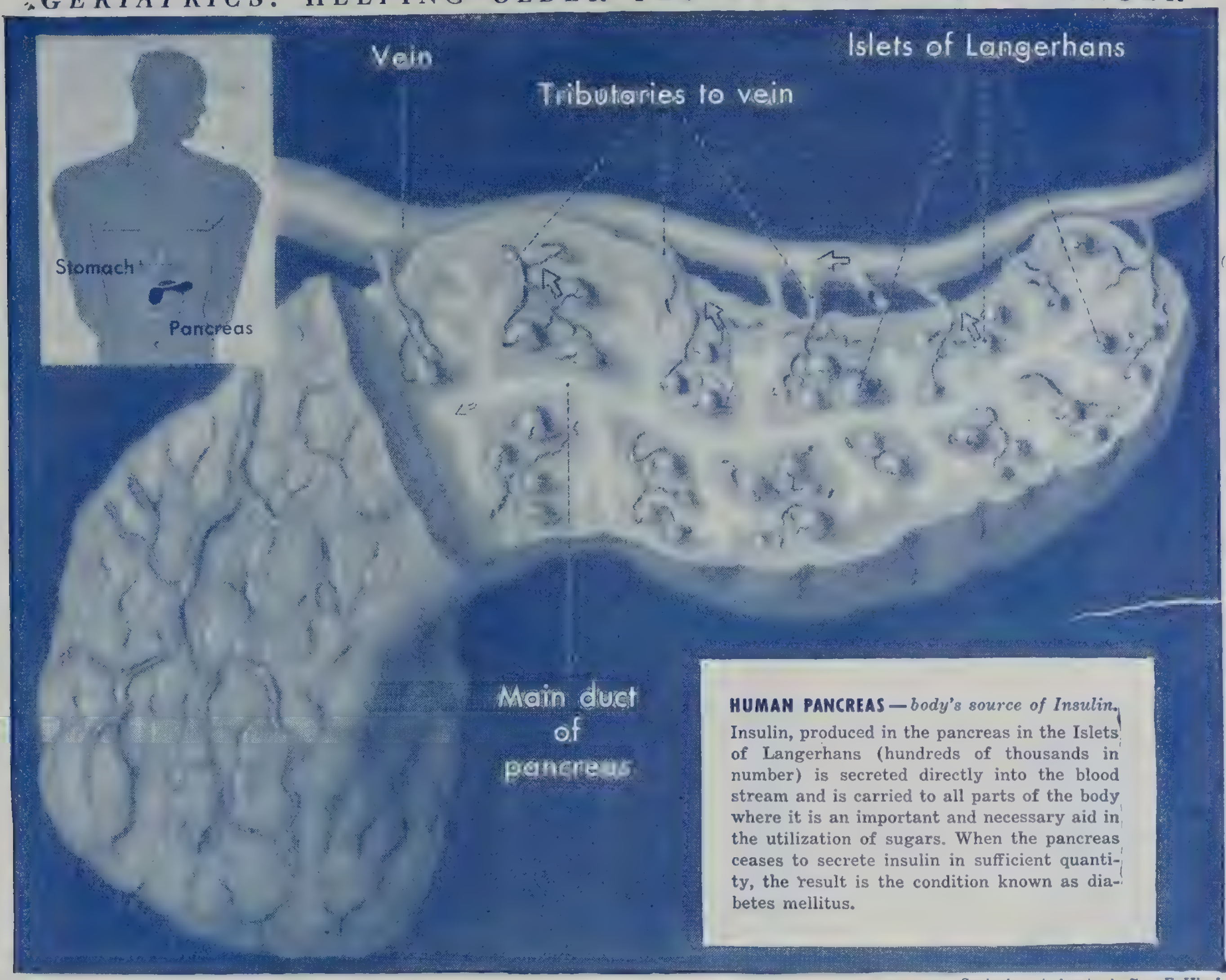
J. C. Burridge

Levering Cartwright's editorial associates at the publication office, in addition to the veteran Frank A. Post, consist of Dale R. Schilling, who specializes on fraternal life company news and edits "The Insurance Exchange Magazine": J. C. O'Connor, whose primary duty is that of editing "The Fire, Casualty & Surety Bulletins"; Richard J. Thain and John C. Burridge. These last two are young men who have assumed comparatively heavy responsibilities in a short time. Both served in World War II. Dick Thain had daily newspaper experience on the Chicago "Sun" prior to the war. They are comparative newcomers, but, developing quickly, they have established definite places for themselves.

R. B. Mitchell

AFTER the death of our veteran eastern editor, George A. Watson, it was recognized by us that more importance would have to be placed on New York City as an insurance center and news source. Since that time we have made a conscious effort to build up our New York office editorially, as well as in a business way. Our associate editor in New York, who had joined the organization in 1930, was Robert B. Mitchell. He had been a daily newspaper man in Troy, N. Y., and New Orleans. He seemed rather young to succeed one of such long-established reputation as George Watson, but within a comparatively short space of time he

GERIATRICS: HELPING OLDER PEOPLE ENJOY LIFE LONGER



HUMAN PANCREAS — *body's source of Insulin.* Insulin, produced in the pancreas in the Islets of Langerhans (hundreds of thousands in number) is secreted directly into the blood stream and is carried to all parts of the body where it is an important and necessary aid in the utilization of sugars. When the pancreas ceases to secrete insulin in sufficient quantity, the result is the condition known as diabetes mellitus.

Semi-schematic drawing by Jean E. Hirsch

Longer life for people past 40

Estimates indicate that about four million Americans will develop diabetes during their lifetime. On this basis, your chances of getting it are about one in thirty. If diabetes runs in your family the chance is greater.

But, if you do get it you still have every reason to count on a comfortable, normal life span. In 1920, diabetes was still a fatal ailment, killing its victims usually within one year. In 1921, with the discovery of the miracle drug insulin, the killer was disarmed. Its conquest gave one of the earliest hints of benefits to come through geriatrics — the science of helping older people enjoy life longer.

Diabetes results from a deficiency of insulin. It is on the increase among older people, particularly women, in part because of richer diets and less vigorous lives, in part because people are living longer. At any age, it is easy to control diabetes through injections of insulin; in fact, life insurance is being sold to diabetics taking insulin. The diabetic can even have hope of an arrested case, where his own pancreas reactivates to furnish again the body's full requirement of insulin.

Great strides are being made in alleviating many such disabilities more common to later life. Progress already made in geriatrics promises to the man or woman of 40 the probability of attaining a full three score and ten years of pleasure and accomplishment, free of "old age" diseases and free of the fear of them.

Health is one ingredient for comfort in later years. The other is financial independence, founded in a sound program of savings and life insurance.

And as your own good health is a matter for competent hands, so is your financial planning. Your NWNL agent, paid not primarily for how much insurance he *sells* you but for what you *keep in force*, has a strong selfish interest in providing you with exactly the right kind and amount of life insurance, measured by what you need and can afford. He is exceptionally able to help you plan wisely for a financially comfortable future through life insurance.

FREE PAMPHLET: *"Taking the 'die' out of diabetes" tells of accomplishments of medical science in conquering this once-fatal disease. Sent free on request.*

NORTHWESTERN *National* LIFE
INSURANCE COMPANY
O. J. Arnold, President
Minneapolis 4, Minn.

showed all the signs of an ability to grow into the job. During the first few years he specialized in life insurance news gathering, but has since broadened his work to cover the entire field.

Mr. Mitchell has done some distinguished writing for THE NATIONAL UNDERWRITER, being particularly adroit at exposing the fallacies of the arguments that are made by those who have attacked life insurance from time to time. This was especially the case when the so-called life insurance counsellors were flourishing in New York City, advertising in the New York daily newspapers, and broadcasting on the radio. No one exposed more thoroughly than did Mr. Mitchell the weaknesses of their arguments, and what he wrote at that time was used effectively by life insurance men. He also did the life insurance business a marked service in his reporting of the T.N.E.C. investigation in Washington. Mr. Mitchell produces many of the editorials that appear in THE NATIONAL UNDERWRITER. He has a particularly pleasing editorial style.

Associated with Mr. Mitchell in New York, and carrying the same responsibilities, is associate editor Kenneth O. Force, who edits "The Casualty Insuror," in addition to his NATIONAL UNDERWRITER editorial activities. A former daily newspaperman and correspondent for numerous business papers in Kansas City, Mr. Force joined our Chicago editorial staff six years ago, and for the purpose of developing the New York office, was transferred there last year. Experienced, quick-thinking and with a facility for turning out readable and well-organized copy, Mr. Force is becoming well known to insurance men in the New York area. As a sidelight, it is interesting to know that he gathered together the material for this 50th anniversary issue, edited it, planned its scope and variety and was responsible for its editorial production.

K. O. Force

Serving as assistant to both Mr. Mitchell and Mr. Force is Melvin A. Horton, who began work with THE NATIONAL UNDERWRITER last year. Mr. Horton has had writing experience and is now in the process of learning how to apply his talents to insurance editorial work.

M. A. Horton

Continuing the chronological account of how The National Underwriter Company embarked upon one insurance publishing venture after another, it should now be set down that the next step was taken in 1922 when the Argus Fire Charts were purchased from the old "Herald Argus" of Atlanta, and as a companion publication the Argus Casualty Charts were started in the same year. These two publications are now looked upon as standard insurance works and have an extensive circulation, being sent by most companies to their agents countrywide. Central supervision of the Argus Charts is in the hands of Louis H. Martin, vice-president and secretary of The National Underwriter Company, who is also responsible for the results on the Little Gem Life Chart, Unique Manual Digest, Fraternal Compend Digest, and "Who Writes What?" He has built the business on these publications to large proportions, and he is assisted in their compilation by Arthur W. Riggs, who has spent most of his business life with us and has a competence in and understanding of his work that is far above the average. Mr. Martin joined the organization in 1925, after graduating from the University of Cincinnati. He is the grandson of Dr. H. C. Martin, who was the founder and publisher of "Rough Notes."

L. H. Martin

A. W. Riggs

Another accident and health insurance publication was acquired in 1924, when the "Time Saver" was purchased from F. Chandler Burnham. This annual compilation gives all of the data about accident and health policies in the same way that the Unique Manual Digest and Little Gem Life Chart show the information regarding life company contracts. It is very generally used by disability insurance men. J. T. Maloney is responsible for its production, as well as for the issuance each month of Accident & Health Bulletins, which commenced publication in the same year as the "Time Saver." Mr. Maloney is also the business manager of the training courses that are published for fire and casualty insurance, but his principal responsibility is the business management of The Fire, Casualty & Surety Bulletins. Another publication, the business department of which is under his wing, is the Insurance Buyers' Digest. Mr. Maloney has spent most of his business life with us, having joined the organization in 1928, and is familiar with nearly all of its operations.

J. T. Maloney

HAVING established weekly papers in the life, fire and casualty fields, and a monthly accident and health paper, it was desided in 1923 to commence the publication of a monthly inspirational and educational paper devoted exclusively to the various casualty and surety lines. President E. J. Wohlgemuth was the original editor and took a strong interest in the development of "The Casualty Insuror" during all of its early years. Later his brother, John F. Wohlgemuth, who served at the end of his career as our president, became the editor, and upon his death the editorship was assumed by Ralph E. Richman, vice-president, of New York, who turned over the editorial duties last year to Kenneth Force.

Because of the success of The Diamond Life Bulletins, it was decided in 1924 to establish a monthly bulletin service for accident and health companies and agents in the form of The Accident & Health Bulletins. This provides complete information regarding all forms of policies issued by the disability companies, as well as rates, and there is in addition, following the pattern of The Diamond Life Bulletins, an Accident & Health Bulletins Sales Section, devoted to sales ideas, methods and suggestions. William B. Borgel is the associate editor of The Accident & Health Bulletins. He had publishing company experience for a number of years before joining the company in 1942.

W. B. Borgel

In the mid-twenties, when life insurance was having a boom, the importance of picturizing or illustrating the purposes and uses of life insurance was recognized, and we began the publication of The Estate-O-Graph, a monthly service used by agents in making sales talks, or by mail as pre-approach or follow-up material. It is about 90% pictorial. It assumed an immediate popularity which has been maintained for more than 20 years. Life insurance is so intangible to present in a sales talk, and life insurance men are so prone to use bewildering and extensive figures in discussing their subject, that The Estate-O-Graph has helped many of them to explain life insurance to a prospect in an entirely new and easy-to-understand way. There has been a tremendous development in the use of picturized sales material since The Estate-O-Graph was established in 1926.

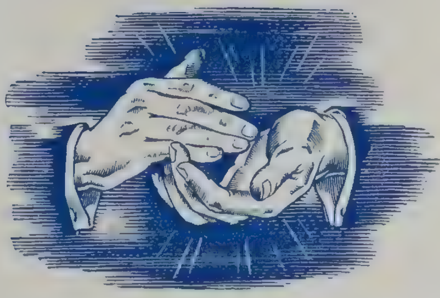
ONE of our unique publications is "The Insurance Exchange Magazine," which is issued each month in Chicago and circulates to practically every insurance office of importance—fire, life and casualty—in Cook county. It was started by a man named Mullins, who has since died, and who, while he had a good idea, did not know how to execute it in a practical, profitable way. He saw that there was a community of interest in the Insurance Exchange Building, that it was really a city in itself, and that all of those in it would be interested in a magazine devoted to the happenings of those in the building. He made the mistake of specializing on the activities of those working in the building in a minor capacity, such as the clerks and stenographers. He could not make a success of it, and turned it over to E. M. Ackerman, now with the "Weekly Underwriter," but at that time secretary of the Insurance Federation of Illinois. Mr. Ackerman's other duties became more important and he could not give the proper time to the magazine, so he disposed of it to The National Underwriter Company in 1932.

Otto E. Schwartz, our leading business producer, saw the possibilities of the publication and began to develop it vigorously. After a time he realized that its scope could be extended beyond the Insurance Exchange Building, and he made it the local magazine of the Chicago area, even adding circulation throughout Illinois and northern Indiana. He gave the insurance fraternity of Chicago the kind of paper they wanted and would read. He made it something entirely distinct from THE NATIONAL UNDERWRITER itself, and it has become one of the most thoroughly read insurance publications.

Dale Schilling

During most of its existence its editor has been Dale R. Schilling, who gives most of his time to getting it out each month. He functions in close association with Mr. Schwartz and has a wide acquaintance among Chicago insurance men.

In the year of the stock market crash (1929) our company started in a very modest way publishing what has since become one of its most important publications—"The Fire, Casualty & Surety Bulletins." A service of this type, comprehensive and complete in scope, was long overdue in the fire and casualty field. It was a success from the beginning and now is to be found in every fire and casualty office of consequence in the entire country. Its original editor was C. R. Hebble, who was in the local agency business in Cincinnati and died after guiding the publication through its formative years. Upon his demise



To The Winner

A recent survey showed that, of all life insurance journals

THE NATIONAL UNDERWRITER

was more widely read than any other by fieldmen of

The Mutual Benefit Life Insurance Company

of Newark, New Jersey

We extend congratulations to the Editors on fifty years of splendid service to the business of life insurance.

in 1933 he was succeeded by James C. O'Connor, who has been editor since that time.

Mr. O'Connor had had a few years experience as editor of the Insurance Producers' Bulletins in Chicago. In his work with The Fire, Casualty & Surety Bulletins, Mr. O'Connor has gained country-wide recognition. He is regarded as an authority on fire and casualty rates, rules and forms, and in consequence carries on a most extensive correspondence with those who ask him the answers to complicated insurance questions. He is in great demand as a speaker and appears regularly before insurance organizations everywhere. He has a marked ability in the direction of answering questions at the end of his talks. His audiences are frequently startled by the easy way in which he can supply the answers to the most involved question, requiring the use of figures and statistics, and his ability to do this without referring to notes of any kind is always a source of wonder to his listeners.

J. C. O'Connor

Last year a sales section of The Fire, Casualty & Surety Bulletins was established, this being devoted entirely to sales methods, ideas and suggestions, and in this respect following the general pattern of the sales sections of The Diamond Life Bulletins and The Accident & Health Bulletins. This new service is growing rapidly and apparently in time will be in the offices of most users of the original service.

Having three monthly papers, "The Accident & Health Review," "The Casualty Insuror," and "The Insurance Exchange Magazine," it was decided in 1932 that there was an obvious field for an industrial life insurance paper, and so publication of "The Industrial Salesman" began. Its editor is George E. Wohlgemuth, a nephew of E. J. Wohlgemuth, the company's founder and original president.

G. E. Wohlgemuth

"The Industrial Salesman" is a salesmanship and inspirational paper that is sold mostly in clubs to industrial companies and managers. Its circulation is in the area where most of the industrial life insurance is written, which is to say the south, the east, and middle west. It provides industrial life insurance people with their own paper and is edited from the industrial life standpoint.

Five years ago a new publication was established in the form of "Who Writes What?" This annual compilation, which has no competition, provides underwriting data on the life insurance companies, showing in an easy-to-find form what each company writes and in detail. It is especially useful to brokers and agents who, for one reason or another, find it necessary to place business in a company other than their own.

In the same year that "Who Writes What?" was born, another publication was established, this one for fire and casualty agents, and called "The Insurance Buyers' Digest." Under the general editorship of J. C. O'Connor, much of the material for it is produced by Robert F. Steinke, who was for some 17 years with a leading casualty company specializing in suretyship, but who became attached to The Fire, Casuatly & Surety Bulletins last year. The Insurance Buyers' Digest is purchased by agents in quantity lots, with their name printed on it, and it is circulated by them to their clients and prospective clients. It contains interesting comments upon insurance coverages and makes its readers familiar with various types of insurance about which they may not have known in the past.

R. F. Steinke

A comparatively recent newcomer to our Cincinnati office is Roy Rosenquist, life insurance statistician. For many years after graduating from Northwestern University he was with the Chicago office of Travelers, latterly in the capacity of assistant statistician. During the latter part of 1945, after three years of war service, he assumed his present position with us, in which he has been able to improve and expand the coverage of the life insurance statistical material which we publish in various forms each year.

Roy Rosenquist

John O. Cartwright, younger brother of C. M., is head of our circulation department. For many years he was vice-president of the bank at Waynesville, Ohio, from whence the Cartwright clan sprang. He moved to Cincinnati to go with the fire and casualty companies organized by Western & Southern Life. When these were disposed of, John Cartwright came with us, first in the Chicago office and now for many years in our Cincinnati office. His extended and thorough knowledge of insurance men enables him to send out persuasive subscription letters that keep the circulation of all of our papers at a satisfactory point.

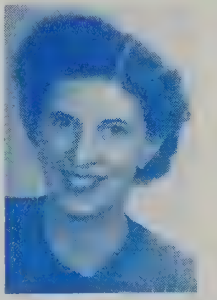
J. O. Cartwright

A. J. Kunnen has been The National Underwriter Company's bookkeeper at its Cincinnati office for the past 11 years. He supervises all of its bookkeeping and accounting activities.

A. J. Kunnen

All of our weekly and monthly papers, except "The Industrial Salesman," are edited and published at Chicago, which means that the advertising has to be handled and the papers "put to bed", in our Chicago printing office.

In charge of advertising make-up work for all of the papers is Mrs. Laura N. Yellowlees, whose 18 years' experience with the company enables her to handle the advertising work on all of the papers expeditiously and efficiently.


Laura Yellowlees

Now that it is possible again to make some selection in the young men employed by a company, we are beginning to bring some young men into our organization with the idea of developing them in whatever way their talents indicate they are best qualified. Three such men who have come with us recently at the Cincinnati home office after service in the armed forces, are William H. Diack, James Hendrixson and Stanley A. Schulte.

W. H. Diack

THIS outline of the leading publications of The National Underwriter Company, described in the order in which they came into existence, will give most readers who have had the patience to continue to this point, an understanding of why this company has been able to succeed in a specialized and somewhat difficult field. It will be seen that we became so organized as to provide insurance men with everything they want and need except that which is actually given to them by their companies. Wherever we have seen that a publication or a service could be helpful to insurance men, and particularly could get more business for insurance men, we have been quick to establish it. We have specialized in putting into the hands of insurance producers every possible thing that might help them to get more premiums. We have not been content to publish just one or two things of some importance and usefulness, but we have been determined to publish everything for which there might be a use. This has been our operating policy and philosophy of management, and it is the one that prevails with us today. Our record is such as to indicate that we have not reached the point where we will be content just to continue to publish those things which we have now. We will add any additional publications, services, yearly compilations, or any activity at all that will be helpful to those on the insurance firing line, just as we have done throughout our whole first 50 years in the insurance publishing business. We have come a long way from the days when E. J. Wohlgemuth and C. M. Cartwright were partners in a small, local trade publication. Without minimizing them, because they provided us with the framework and the pattern, we have developed it into a diversified, multiple line publishing organization, reaching into every branch of insurance—home office, branch office, and field. It is because we have insisted on establishing such a variety of material that we have succeeded beyond the ordinary and have become so firmly entrenched and solidly established.

To all of this should be added the comment that it is one thing to start a publication, but quite another to make a success of it and to keep it going. So called policy making is not difficult, but carrying through is what requires patience and endurance, as well as ability. In our own case we have followed a hard and fast rule of putting a competent man in charge of each one of our publications and giving him plenty of latitude in his operations. We have not been a company of arbitrary rules and close supervision. We hold a monthly meeting of the various department heads in Cincinnati, at which time reports from each one is heard, comments are given, an outline of what is to be done in the future is unfolded, and there is an interchange between all of those in the company who are responsible for its principal activities. Under this arrangement the management makes suggestions and offers ideas, but the basic responsibility for success or failure rests with each department head. We have found that this system develops men much more quickly than if there were arbitrary management from the top down. A capable, developing man in the position of department head grows in

(December 31st, 1921)
Life Insurance in Force
$157,699,773.00

Excerpt from our advertisement published in the 25th Anniversary Number of The National Underwriter.

STRONGER! STRONGER! STRONGER!
DOWN THROUGH THE YEARS

TENFOLD IN 25 YEARS

Did you catch the significance of the statement at the top? It is an excerpt from our December 31st, 1921 Statement, published in the 25th Anniversary issue of The National Underwriter.

At that time ANICO was in its 17th year. Now in its 42nd year these early periods like the succeeding years were years of continuous progress . . . as evidenced by the figures below.

OVER A BILLION *Now* $1,500,000,000 INSURANCE IN FORCE

AMERICAN NATIONAL ANICO INSURANCE COMPANY

American National
INSURANCE COMPANY

GALVESTON, TEXAS — W. L. Moody, Jr., President stature when he is allowed to carry forward his own ideas, plans and schemes, having them tempered only by his contact with other department heads at a monthly conference. Operating in this way, it has been seldom that any one of our responsible people has gone very far afield. When a man describes something he intends to do, to a group of friendly associates, at a monthly meeting, and finds every one of them opposed to him, he is likely to think twice before going ahead. In most cases he is not ordered to give up what he is proposing, but he has the common sense to abandon it when he sees that a group of men in whom he has confidence and for whom he has respect, is convinced that he is on the wrong track. Order issuing, table pounding, regulations and restrictions, are not a part of the operations of The National Underwriter Company, and because the opposite is true we have developed a group of strong, capable personalities, who are the ones who carry forward the various projects that have been brought into being by one mind or another in the company. It is these department men who have had such a large part in the continued development of our organization.

The Salesman Traveling the Field

No matter how useful and helpful the various products of The National Underwriter Company may be, they must be sold by the salesmen of the company making personal calls. Some orders are obtained through mail campaigns, but for the most part we have had to place our primary reliance for sales results upon the men in the field. Today there are 15 of these men, making their rounds in all parts of the country. They are well known to insurance men in their various territories. Most of them have been on the job for 15, 20, 25 and some of them for more than 30 years. They are the point of contact for the whole National Underwriter organization. They are the backbone of the company from a sales production standpoint. Their sales problem is not an ordinary one because not only must they know all about every one of our publications and services, but in addition they must know about all branches of the insurance business, because it is only when they do that they have the proper understanding of how what they have to sell fits into the needs of the insurance men upon whom they are calling each day. Thus it is no exaggeration to say that they are well informed insurance men as well as salesmen. Most of the people upon whom they call recognize this and look upon them, not only as salesmen, but advisers, counsellors, and as men unusually well posted insurance-wise.

A publishing business such as ours has two important functions. The first is to produce the material, which has to be done by editors, compilers and statisticians. The second is to have a sales organization capable of marketing or merchandising what is being produced. Up to now we have had no trouble in devising one thing after another that might be sold to insurance people, but if we had not had a competent organization in the field to do the selling, our progress would certainly have been very much less marked than it has been.

Because our field men are so well known and such familiar figures in insurance offices everywhere, we think there may be some interest in including in this 50th anniversary number a brief sketch of each one of them. Without attempting to list them according to their value, importance or length of service, we are instead chronicling them in alphabetical order:

FRANK W. BLAND, San Francisco, Pacific Coast manager. Frank Bland's territory consists of California, Oregon, Washington, Nevada, Utah and Colorado. Coincidentally, he came with The National Underwriter on its 20th birthday, and so now has a continuous service record of 30 years. He began as a young man in the Cincinnati office and during the earlier years of his connection traveled mostly in the middle western states. At one time he was stationed at New York City and did sales work in all of the Atlantic Coast states. From the beginning he took a special interest in life insurance and for a period of about 18 months represented Continental American Life as general agent in Cincinnati. When he decided to return to insurance publishing, he was sent to the Pacific Coast where he has developed the business of The National Underwriter most pronouncedly. Tall and striking in appearance, friendly in manner, capable, intensely interested in the welfare of his customers, and in demand as a speaker, Frank Bland is a familiar figure in Pacific Coast and mountain states insurance offices. He has to his credit what amounts to a lifetime of sales accomplishments.

Frank W. Bland

ROBERT J. CHAPMAN, Des Moines. "Little Robbie" has large territory geographically. It consists of Iowa, Nebraska, North Dakota, South Dakota, Montana, Idaho, Wyoming and a portion of Colorado. He has been a salesman in various parts of the country throughout most of his business life, the last 15 years of which have been with The National Underwriter. He is vigorous and hearty of manner, energetic and enthusiastic. Many insurance men feel that he brings a ray of sunshine into their offices when he makes his calls. His enthusiasm is infectious. He has developed his business and his capabilities in a manner that is gratifying to those who know him and his business growth has been beyond the average.

R. J. Chapman

JAMES T. CURTIN, New York City. James Timothy is a quick-witted, friendly Irishman, who joined the sales organization about 13 years ago. Before that he had been with a Wall Street brokerage house whose business was destroyed by the depression of the early thirties. Jim Curtin came up the hard way with us, starting on a trial basis and going from office to office, with only a sketchy knowledge of what he was selling and practically no understanding of the insurance business. It may be said of him that he developed himself, that he learned by doing, and that he practically forced the company to recognize him as a salesman of ability and promise. He confines himself to the metropolitan New York area, where he finds plenty to do and manages to obtain an impressive volume of business each year.

J. T. Curtin

A. J. EDWARDS, Detroit. Known to his friends and customers both as "Austy" and "Jimmy," he travels in a compact territory consisting of only two states—Michigan and Indiana. He has done this for nearly 17 years and so has established himself firmly with insurance men in these two states. Originally he was in the banking business in Indianapolis. Next came the really colorful phase of his career, traveling for Hokum & Hoke (actual name) selling popcorn and vending machines. Withdrawing without regret from this activity, he went with the Rough Notes Company, and finally with The National Underwriter. Optimistic, cheerful and able to get on an easy, friendly basis with everyone he encounters, Austy gets a warm welcome wherever he goes.

A. J. Edwards

E. H. FREDRIKSON, Philadelphia. Freddy's territory is small and compact, consisting of Philadelphia, Delaware, Maryland and the District of Columbia. His rise with the company has been both steady and rapid. His first work with us was in the bookkeeping department at Cincinnati, where he started 13 years ago. Somewhat later we began a publication that subsequently had to be abandoned, called The Estate Reporter. In this were listed the estates left by prominent people and showing what a heavy shrinkage occurred in them before they were received by the designated heirs. The object was to demonstrate how life insurance passed along an estate intact, whereas the average estate not consisting of life insurance experienced a shrinkage of somewhat more than 20%. The listing of actual estates was interesting, and while there was a market for the service it could not be produced at a profit and was discontinued. Freddy did the sales work on The Estate Reporter and during the time he carried it on he demonstrated that he had a definite sales ability. Prior to his association with us he had been in the food business, both on the Pacific Coast and in New York. The decision to station him at Philadelphia has proven to be a happy one, because he has measured up to the importance of his responsibilities, which in his particular territory are large.

E. H. Fredrikson

WILLIAM J. GESSING, Kansas City, Missouri. Bill is next to the newest salesman we have, but he is already performing like a veteran. He learned the insurance publishing business in our Cincinnati office after graduating from Xavier University and serving for a time in the army. A little more than a year ago he was sent to Kansas City to look after our business interests in Missouri and Kansas, succeeding William A. Scanlon in that territory, who was transferred to Boston. Bill Gessing finds that his

W. J. Gessing

Introducing

A NEW SYMBOL of Progressive Leadership

The eagle and wheel of *American Auto* and the mounted knight of *Associated* are destined to disappear from the stationery, policy forms and general literature of our Companies as new supplies are printed.

With the celebration of this our thirty-fifth anniversary we have adopted a new emblem for the American-Associated Insurance Companies, a four letter monogram of modern design with the enduring distinction of simplicity.

Henceforth, this single trade-mark, appearing sometimes in this fashion, with the name lettering in the border, will be used by all four of the American-Associated Companies. In the years to come this emblem will always be a symbol of dependable, protective services of unexcelled standards in the multiple line fire and casualty field.

AMERICAN - ASSOCIATED
INSURANCE COMPANIES

AMERICAN AUTOMOBILE INSURANCE COMPANY
AMERICAN AUTOMOBILE FIRE INSURANCE COMPANY
SAINT LOUIS

ASSOCIATED INDEMNITY CORPORATION
ASSOCIATED FIRE & MARINE INSURANCE COMPANY
SAN FRANCISCO

two years in the office, learning the business, are standing him in good stead now, and he has a familiarity with and understanding of our publications that is unusual for one so relatively new to the business. Young, standing over six feet, full of vitality and interest, Bill Gessing has established himself firmly in the Heart-of-America territory. He is certain to progress and advance in his sales work with us.

E. E. HESS, Atlanta. Ernie is a former Illinois fire insurance field man, who traveled for representative companies in that state, then went with the Insurance Producers Bulletin of Chicago, later to the Pacific Coast for THE NATIONAL UNDERWRITER to work in association with Pacific Coast Manager Frank W. Bland, and to travel extensively for us in many sections of the country without having a fixed territory assigned to him. When Walter M. Christensen died in 1942, Ernie was assigned to succeed him as resident manager at Atlanta, with supervision of Georgia, Florida, Alabama, Tennessee, South Carolina, North Carolina and Virginia. This is a large territory, but its size does not dismay Ernie, who not only covers it, but combs it with a thoroughness that brings gratifying results. Serious-minded, sincere and earnest, he is genuinely interested in the welfare of his customers and so makes himself useful to them in many ways, in addition to getting orders from them. New to the south, he is a great believer in the future possibilities of the southeastern part of the country, and is confident that it will have an impressive growth during the years ahead.

E. E. Hess

F. B. HUMPHREY, Dallas. Fred has one of the longest records in insurance publishing. After graduating from Cornell he went with the Rough Notes Company and in the early days of that publishing enterprise, which was then presided over by Dr. H. C. Martin, Fred was its only sales representative. Then he had a long term with the Spectator Company, for which he made trips to nearly every state in the country. When the Spectator became part of the Chilton Publishing Company in 1932, Fred resigned as its vice-president and came with us the next year. He established our office at Dallas, from which he radiates to Louisiana, Mississippi, Arkansas, Oklahoma, New Mexico and Arizona. While no longer young, his selling pace is undiminished and each year he piles up a record exceeding that of the previous one. Hard-working, thorough and intelligent, Fred Humphrey is a truly representative insurance newspaper man, who manages to make the very best use of the knowledge he has accumulated about his business over a long period of time.

F. B. Humphrey

ROY W. LANDSTROM, Minneapolis. Roy is one who has spent almost his whole business life with us, having a 26 year service record to his credit. A graduate of the University of Illinois, where he specialized in agriculture, he spent some time on a southern Illinois ranch after leaving school, served for a brief term in the advertising department of Sears Roebuck & Company in Chicago, and then started in our own advertising make-up department in Chicago. In a few years he was appointed business manager of The Accident & Health Review, did sales work for that publication, and was finally drawn into the general sales activities of the company. For a number of years he headquartered in Chicago, traveling in both Illinois and Wisconsin from that city, but later he was transferred to Minneapolis, and from there handles the two states of Wisconsin and Minnesota. Of Scandinavian descent, he is at home with the people of the states in which he travels. His more than a quarter century with us has given him an unusual insurance publishing equipment which he exercises to the best advantage.

R. W. Landstrom

RALPH E. RICHMAN, New York City. Next year Ralph will complete 33 years with THE NATIONAL UNDERWRITER. Not only is he a veteran, but his experience has been perhaps more varied than that of anyone else with the company. He graduated from Indiana, was attached to the Indiana fire marshal's department for a time, and then came with us to be the editor of a paper of which we have since disposed, and which was known as Fire Protection. He edited it for many years from our Cincinnati office; was also editor of the Accident & Health Bulletin; office manager at Cincinnati; business manager of The Fire, Casualty & Surety Bulletins and of several accident and health publications; editorial representative of THE NATIONAL UNDERWRITER at Cincinnati, and it may very well be said that he served in other capacities that I have forgotten. At any rate, he exhibited an all-around competence and an ability to deliver the goods in whatever job was assigned to him. When it was felt that his understanding of our business was so well-rounded as to make him more valuable to us in field work than anything else, he was sent to Boston, where he established our office and from which city he supervised the New England states. He did a great deal to build up our business and our prestige in that territory, and on the first of last year when Nora Vincent Paul was retired as vice-president at New York, he was named her successor. Until recently he has served as the editor of the Casualty Insurer and acquired a reputation for understanding the casualty and surety business. So far as our business is concerned he is ambidextrous, so to speak, in that he can perform equally well representing us in either an editorial or business capacity.

R. E. Richman

GEORGE C. ROEDING, Cincinnati. George is the company's third oldest employe in point of service, having just completed his 33rd year. His first work with us was as an office boy, but he started on the road at the tender age of 17, and thus became the youngest man we have ever put into the field before or since. George developed for us slowly, but solidly. He traveled in a number of middle western states on the hand-books, and after a time began making a trip each year into the southeast before we had an office there. When Frank Bland went to the Pacific Coast, George took over his present territory, which consists of Ohio, West Virginia, Kentucky, and Pittsburgh. He has become our second largest producer. Quiet and unassuming, he has shown the most pronounced talent of any of our men for prospecting. He has been concentrating on the same territory for over 25 years and yet out of it, year after year, he gets more subscriptions to our various publications, in addition to the larger orders he writes, than most of our men obtain in any territory, new or old. He has learned the value of brevity, and so his sales talks are not tiresome or long-winded. Having never misrepresented, his customers have confidence in him and are inclined to buy what he recommends. His standing among his customers is unusual. They believe in him implicitly. On his part, he believes in what he is selling and that has done much to keep his sales record at a high level.

George Roeding

WILLIAM A. SCANLON, Boston. Next year Bill will round out 32 years with THE NATIONAL UNDERWRITER. Any one whose record with any company goes beyond 30 years may very properly be referred to as a veteran. In his earlier years Bill was with the western department of the Royal and National Liberty. He started his work with us as a hand-book salesman in the midwest. He traveled to every part of the country for us before being assigned to a specific territory. He opened up the southwestern states and spent many years traveling in Texas, Oklahoma, Arkansas and Kansas. He made some trips to the Pacific Coast and, to the southeastern states, and spent some time headquartering in New York. Finally, his territory became Illinois, Indiana, Missouri, Kansas and Tennessee. He concentrated on these states for many years. In them he became literally a part of the insurance business. He was able to report conventions for us and was a faithful attendant at all of those occurring in his territory. He was so widely acquainted in his states that he was always able to get many names of personalities into the stories that he wrote. On the first of last year when Ralph Richman was nominated to succeed Mrs. Paul at New York, Bill Scanlon was made vice-president in charge of the New England states, with headquarters at Boston. Although a midwesterner with all of the characteristics of an inhabitant of that area, he has been well received in New England, where his understanding of all branches of the insurance business is recognized and appreciated. Bill Scanlon is the sort of man about whom it is said that he is the salt of the earth.

W. A. Scanlon

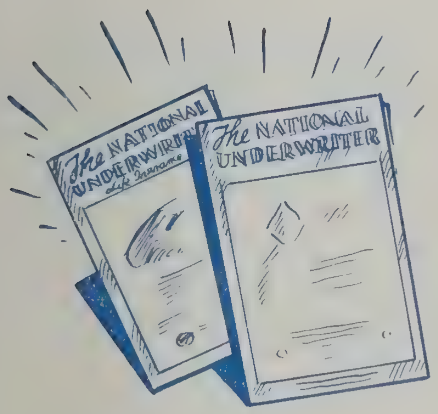
OTTO E. SCHWARTZ, Chicago. His work with the company began exactly one day after that of George Roeding, on February 2, 1914. This makes him the company's fourth oldest employe in point of service. His personality is so varied that it is not easy to describe him adequately. It is accurate to say that he is dynamic, energetic, full of vitality and persuasiveness, but even more than that he is almost irresistible when his sales talks get into full swing. He is THE NATIONAL UNDERWRITER's leading producer, having put simply prodigious amounts of business on the

Otto Schwartz

HIGHLIGHTS IN INSURANCE HISTORY

1871

Chicago Fire October 8-11. 18,000 buildings destroyed. Loss $196,000,000. Birmingham Fire Insurance Company of Pennsylvania began operations.



National Underwriter established February 4th. This publication now publishes two editions weekly, covering every phase of the insurance business. Having completed its first HALF CENTURY OF SERVICE we extend birthday greetings and sincere wishes for a long and successful career.

1897

1901

Dean Schedule introduced in Illinois. National Union Fire Insurance Company of Pittsburgh, Pa. organized. Entered in all states (except Nevada), Canada, Hawaii, Guam, China, Puerto Rico, Mexico, Central and South America, Philippine Islands, Cuba and Newfoundland.

PROTECTION

NATIONAL UNION
and
BIRMINGHAM

FIRE INSURANCE COMPANIES
PITTSBURGH • PENNSYLVANIA

Capital Stock Standard protection Company Insurance books for the company year after year. He has made impressive publications out of The Insurance Exchange Magazine, the Chicago Insurance Telephone Directory, and the Chicago hand-book in addition to representing most satisfactorily the two editions of THE NATIONAL UNDERWRITER and all the rest of our publications. He started as a clerk in the Chicago office, but it was recognized quickly that the work was too confining for one of his energies, and he was sent out on the road for a hand-book trip. At once he started pouring orders into the Chicago office and has been doing just that ever since. He is untiring in making his daily rounds and is probably as well known to Chicago insurance men as any one other person.

W. J. Smyth

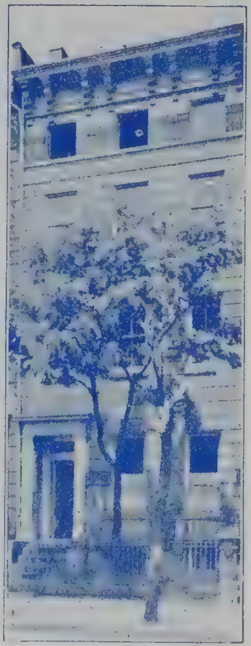
WILLIAM J. SMYTH, New York City. Bill is a 21 year man who had his early insurance publishing training with the Spectator Company. As a consequence he has been in insurance publishing work for more than a quarter of a century. He was given a roving assignment during his first years with us, traveling as far west as the Pacific Coast and making regular trips to the southeast. For several years he served as resident manager at Philadelphia, but for many years past has had New York state, Pennsylvania, New Jersey and the province of Ontario as his territory. He is on the road more continuously than any other member of the field force, planning his traveling in six months periods. Most of his trips are made by automobile. No one who has ever heard him perform underestimates his ability as a story-teller. He is adept in the use of several dialects, and his store of anecdotes is seemingly inexhaustible. Weighing about 300 pounds and having a disposition that usually accompanies men of that weight, he is a friendly, popular figure whose visits are looked forward to by insurance men.

A. J. Wheeler

ANDREW J. WHEELER, Chicago. Andy is the newest member of our sales department. When Bill Scanlon was transferred to Boston, Andy was given the Illinois territory that Scanlon had handled and took over sales work in Chicago as well. Before coming with us he had had some sales experience with Procter & Gamble. His first year with the company in 1946 was a good one, and his production such as to convince us that he will become increasingly effective for us in his sales work.

Old and New Home Office Buildings

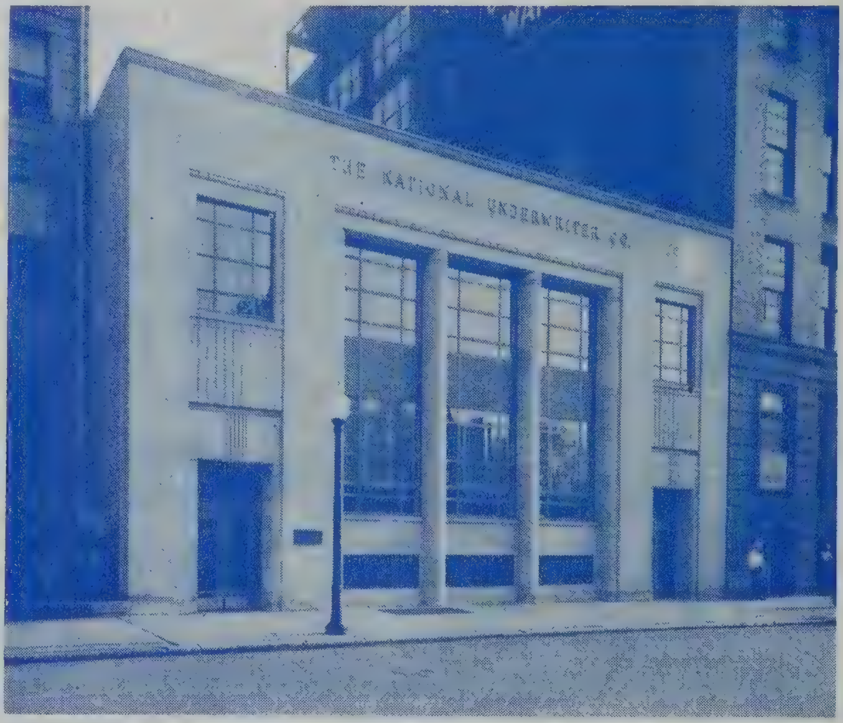
THE OLD



Since 1922 The National Underwriter Company has occupied its own building in Cincinnati. The brownstone front structure shown at the left served as its home office from 1922 to 1940, when the new building shown below was completed. In addition to the former residence at 420 East Fourth street, a few years later the adjoining building at 422 was acquired and partially occupied. The ground occupied by these two buildings was of sufficient size to make the construction of the present modern building possible.

Of the 151 employes of The National Underwriter Company, over 100 are in Cincinnati. It is in the modern Indiana limestone building now occupied as the company's home office that the compilation, the statistical and editorial work for its annual publications and services is done.

THE NEW



C. W. VAN BEYNUM

C. W. Van Beynum, publicity and advertising manager of Travelers, was formerly in daily newspaper work at Janesville, Wisconsin, and later worked for an insurance agency there. Because he had a yearning for newspaper work, he determined to get a position with THE NATIONAL UNDERWRITER. He made a trip to Chicago for an interview with the managing editor, C. M. Cartwright, but did not get to first base. However, Mr. Van Beynum did not give up and succeeded on the third try.

At once it was found he had all the instincts of a newspaper man. He was also imaginative and artistic. Shortly afterwards he began to write advertising copy for publication and submitted it to the business department where it was used on many occasions. When H. H. Armstrong was head of the agency department of Travelers, Mr. Van Beynum went to him to get news. Mr. Armstrong was very favorably impressed with him and, in due season, induced him to go to the Travelers' head office.

JOHN F. WOHLGEMUTH

John F. Wohlgemuth was associated with THE NATIONAL UNDERWRITER from 1900 until his death in 1944, with the exception of three years as a casualty claim investigator for Travelers. He was a brother of the company's founder, E. J. Wohlgemuth.

While he served in various posts—the handling of salesmen, office manager at Chicago, and others—before his election as president of the company in 1939, perhaps his greatest direct contribution to the insurance business came through his work as editor of "The Casualty Insuror." In that position, which he held for 18 years, he wielded a considerable influence on the casualty business.

JOHN F. WOHLGEMUTH

In all that he did, he had the habit of thinking through to sound conclusions and of expressing himself in a direct and convincing way.

NORA V. PAUL

Mrs. Norah Vincent Paul of New York City, who has retired from active business life, was in her day one of the most eminent business women of the country. She far surpassed any woman in the business ranks of insurance publications, and in fact, it was a question whether she had any superior in comparison with the men in that line.

Mrs. Paul had a very good working knowledge of insurance, gained as a local agent in Evansville, Indiana, where she came in contact with field men.

Nora V. Paul

Mrs. Paul had to make her own living. She became associated with the Moore, Case, Lyman & Hubbard agency in Chicago. She joined the National Underwriter Company to do compilation work on some of its state insurance directories.

It was soon discovered that she had far more interest in getting advertising and making sales for these books than in compiling them. She made a few trips to New York City in connection with the directories and finally located there and was made vice-president.

THE ONE AND ONLY "C. M."

Many will sing the praises of C. M. Cartwright's distinguished editorial achievements during almost all of The National Underwriter's fifty years of insurance journalism. They are richly deserved. But to a great many executives of American insurance institutions, and to countless others in the industry, C. M. Cartwright has been more than chronicler, monitor, guide and philosopher. They rejoice in the knowledge that "Charlie" is not only their friend but an individual they love.

LOYALTY GROUP
INSURANCE COMPANIES

Half Century of

MARINE INSURANCE

Oldest Form Still Young in Its Adaptability

BY H. C. THORN

AT the request of the editor, the author is attempting to set down rather hurriedly and without an opportunity for research, his recollections of the American marine insurance industry for 40 odd years, and, by hearsay, refer to the beginning of the half century up to 1903.

In considering the history of marine insurance we must first of all remember that this is the oldest form of indemnity, and, in fact, one of the world's oldest industries. It is therefore necessarily steeped in tradition and some of the quaint wording in the marine documents and some of the customs in the trade have their origins in past centuries of sea commerce of all nations. In spite of the great antiquity of the business it has always, through the ages, kept abreast of the times and made available its protection so as to fit in with the conditions of waterborne commerce as it existed and has changed and progressed as shipping and overseas trade have progressed.

BEFORE considering the insurance angle, first let us consider the changes that the half century have brought in shipping itself, for the principal interests subject to coverage of marine insurance are always the same. They are the ship itself, and the freight, which is the money the ship earns for transporting the goods, and then, last but far from least, the cargo. The cargo may be owned by one shipper, or, as is more often the case, by a large number of widely separated owners. It will therefore be seen that the interest in marine insurance is not confined to those who make their living out of the sea, but is of vital importance to those who ship or import their goods from one part of the world to another, no matter where they may be located. It is also, due to its very nature, a business that is international in character, involving, as it does, voyages through all the sea lanes of the world, to say nothing of lakes, rivers and canals of commerce.

At the beginning of the period we are writing about, steam vessels were highly developed, although naturally not to the extent they are today. However, during the years prior to the first World War, sail was a very important factor in both coastwise and overseas trades. The underwriters and brokers of those days were required to know a good deal about the navigation of sailing vessels, both wood, iron and steel, square rigged and fore and aft types; and, of necessity, the condition in which sailing vessels were kept up as to caulking and general seaworthiness was very much of a problem facing the underwriters and required individual attention. The modern steamship of today, and in fact of those days was subject to regular inspections and classification records which were in most cases readily available. The matter of insuring a sailing ship, hull or cargo, however, more often than not, required not only an intimate knowledge of the vessel and her operators, but often of the master. Navigation of the period just referred to had not changed very much from previous generations. Wireless was just about coming into being, and of course radar, loran, submarine signals, fathometer, etc., were yet to be invented. When a ship left port, generally no news was heard of her until she arrived at her destination, excepting as she might be spoken to by other vessels in passing. The physical perils of those days were essentially the same as those insured against today, but the very many extra and extraneous insurance coverages that have been developed in recent years had not come into fashion. The basic perils applied equally to vessel and cargo, and they were and are the perils of the sea and fire. Perils of the sea refer to stress of weather, strandings, sinkings and collision. In addition, there was always then, as now, but possibly to a greater extent in those days, the question of general average. The many coverages against theft, pilferage, sweat, contact with other cargo, minor breakage, discoloration, etc., were seldom asked for and were not a factor in the business.

Henry C. Thorn is manager of the marine department of North America, New York. He spent his first nine years in the business with Johnson & Higgins in the marine department until 1912 when he joined Hutchinson, Rivinus & Company. He returned to Johnson & Higgins in 1916. Following service in the first world war, he rejoined Johnson & Higgins. He went with North America in the home office in 1925, but that fall transferred to the New York marine department. In 1928 he became assistant secretary at the home office, and in 1936 manager of the marine department at New York. He has just served two terms as president of the Board of Underwriters (marine), New York, is a past president of the American Institute of Marine Underwriters and has occupied various official posts with American Cargo War Risk Reinsurance Exchange. He is a member of India House, New York, and of the American Yacht Club at Rye, New York.

H. C. Thorn

War risk prior to 1914 was also a reasonably simple matter and there had been very little activity in this type since the Civil War, until the Spanish American War, when there was naturally a certain demand for the coverage, which disappeared immediately after cessation of hostilities. Again, the Russo-Japanese War in the beginning of the century brought a demand for war risk, and in fact some very severe losses were incurred, which largely fell on the London market by means of reinsurance, by reason of the Japanese intercepting certain cargoes of American coal bound for Russian Asiatic ports.

The war risk coverage of that day was similar to that which existed during the Civil War and previous wars, and the underwriters were mainly concerned with losses occasioned by the capture or destruction of shipping by enemy men-of-war. Certain other consequences of hostilities, such as mine risks, restraints of Princes, etc., were inevitable; but, by and large, the institution of war risk had very little changed since the period following the Napoleonic Wars, when the "Free of Capture and Seizure Clause", which excluded war risk from the marine policy, became common practice. Up to and including the Napoleonic Wars, war perils as well as perils of the sea and fire were normally included in a marine policy. As a matter of fact, the basic coverage of marine insurance is best set forth in the standard coverage of the Lloyds policy, which continues to this day, remembering always that the modern policy contains the "Free of Capture and Seizure Clause", which eliminates war risk from the basic marine policy. The Lloyds coverage clause is quoted herewith in part:

> "TOUCHING the Adventures and Perils which we the Assurers are contented to bear and do take upon us in this Voyage, they are of the Seas, Men-of-War, Fire, Enemies, Pirates, Rovers, Thieves, Jettisons, Letters of Mart and Countermart, Surprisals, Takings at Sea, Arrests, Restraints and Detainments of all Kings, Princes and People, of what Nation, Condition, or Quality soever, Barratry of the Master and Mariners, and of all other Perils, Losses and Misfortunes that have or shall come to the Hurt, Detriment or Damage of the said Goods and Merchandises and Ship, etc., or any Part thereof . . ."

During these early years not only were the perils insured against chiefly the basic ones, but the coverage itself was confined to the waterborne risk. While the coverage on cargo was more or less confined to the waterborne risk (both ship and lighters), in exceptional cases transportation from original warehouse could be covered, but often at additional premium. It was not common practice, however, automatically to grant what is known as the "Warehouse to Warehouse Clause" in those days.

DURING the years prior to 1914 the market in America was comparatively small. A few old line American insurance companies had been engaged in the business for a long period of years, two of them at least for over a century, but generally speaking, about two-thirds of the capacity of the American marine insurance market was in the hands of foreign underwriters, very largely British, who had established branch offices or agencies in the United States. Then, as now, the chief marine insurance market of America was in New York. The largest marine market of the world was, and still is, in London. While the institution was not originally British, the modern marine coverage stems from customs and practices of Lloyds, followed in 1720 by the first corporations or insurance companies which transacted marine insurance. Therefore, much of the old English method of transacting the business still exists throughout the maritime world. In 1906 the British government adopted the marine insurance act, which codified the various laws and customs governing marine insurance, and which has stood as a model for the business throughout the world. Due to the authority of the several states such a code has not been feasible here. There is, however, one phrase which I am quoting below that is particularly significant:

> "A contract of Marine Insurance is a contract based upon the utmost good faith, and, if the utmost good faith be not observed by either party, the contract may be avoided by the other party."

This, I think, in some ways sets the marine insurance business apart from any other that I know of, for good faith on both sides is in its entire essence. Were this not so, it would be impossible for an assured to know that he was protected against losses which might occur in some far part of the world prior to his receiving all the details of the merchandise at risk.

The market prior to World War I in America was comparatively small, consisting of less than two dozen underwriting offices, some representing individual corporations or companies. The business came to the underwriters almost entirely through brokers and principally brokers who were not only skilled in marine insurance but often handled it almost to

C&R
INCORPORATED
NEW YORK

Our Sincere Congratulations to C. M. Cartwright on His 50th Anniversary in the Insurance Business

▲ ▼ ▲

American Equitable Assurance Company of New York
Organized 1918

Globe & Republic Insurance Company of America
Established 1862

Merchants and Manufacturers Insurance Company
of New York
Organized 1849

New York Fire Insurance Company
Incorporated 1832

CAPITAL STOCK
Standard protection
COMPANY INSURANCE

Corroon & Reynolds, Inc.
MANAGER
92 Williams Street, New York

DEPARTMENTS—Chicago; Pittsburgh; San Francisco; Kansas City; Indianapolis; Philadelphia; Montreal and Toronto

Losses paid exceed Three Hundred Fifty Million Dollars

Above is shown the board room of the Board of Underwriters of New York, which in its various locations has been the cooperative heart of the American marine insurance market since 1820. The board is one of the oldest organizations in America.

the exclusion of other forms of coverage, which certainly is not the case today. The situation, however, made for a very unusual market set-up and that was a condition of good faith and mutual trust whereby it was not even customary, when a broker bound a risk with an underwriter, to secure any written binder. The transaction was completed and the application showing the particulars was filed with the underwriter, signed by both parties and that was all there was to it. Policies or certificates would be issued as the occasion required, but the broker would report back to his assured without any written evidence whatever that he had effected the coverage. It is difficult to imagine such a situation existing in the highly competitive and complex market we operate in today. Nevertheless the good faith on both sides was such that it worked and no one thought to question it.

One thing, in the writer's opinion, that greatly contributed to the good will and efficiency and complete mutual trust that existed between brokers and underwriters in the early days of the century was that that marvelous invention, which is a combination of a blessing and a curse, to wit, the telephone, was not used to anything like the extent that it is today. In the actual placing of a risk, except in an emergency, it was practically unheard of. It therefore meant that a broker, in offering a risk and an underwriter considering it, faced each other with questions and answers freely exchanged, so that there was a complete meeting of minds. Modern business could probably take a lesson from this and many of the misunderstandings and errors that occur due to transacting important business over the telephone would never rise. This would require a little more energy on the part of the placed, but would probably be good for his health. All of this, however, was changed with the outbreak of war in 1914.

Before leaving this period one cannot but make reference to the greatest sea disaster that had occurred in the world's history up to that time. That, of course, was the "Titanic" sinking, in May, 1912, after running down an iceberg. The monetary loss by the market, both here and abroad, was terrific. Nevertheless, the shock to the City of New York, particularly due to the horror of the casualty, was such that when the news was received business was practically suspended for the balance of that day. I can remember no similar day, even during the terrible years of the two wars that were to follow only one short generation apart.

During this pre-World War I period, reinsurance was not the important factor that it is today. It was quite customary for underwriters to accept only those lines which they would be willing to carry net and had the capacity to insure. This statement, however, is subject to certain exceptions. The market, both from a brokerage and underwriting standpoint, was composed of individualists, and some very rugged ones at that. There was nothing like the cooperation between competitors that exists today. There is, however, one cooperative organization that was formed in 1909 that is of the utmost importance, and that was the Cotton Re-Insurance Exchange. So far as I know, this was the first of the marine syndicates and it must be conceded that its formation was a forward step in the insurance business generally. Later on we shall see that many syndicates and reinsurance exchanges have come into being, to the benefit of all concerned and to the detriment of none.

NOW let us cast our minds back to the crucial days of 1914, particularly July 30th, which panicked both the New York Stock Exchange and the marine insurance market. Germany was at war, and the next day, July 31st, the New York Stock Exchange suspended. German ships did not sail. The express passenger liner, "Kronprinzessin Cecilie," was already at sea with a large complement of passengers and valuable cargo, including gold. On some radio message, such as, "Willie has appendicitis", the captain put her about and dashed for Bar Harbor, Maine, which he made in good safety. The market now faced a war involving tremendous sea power on both sides. This was something new and frightening to the minds of all those engaged in marine insurance in America, whose experience with war risk had been confined to the minor conflicts of the Spanish American and Russo-Japanese Wars.

The demands for war coverage kept pouring into New York from all parts of the country, and the capacity of the market was overtaxed. Rates were skyrocketing. The immediate problem was to cover the risks already at sea, particularly under the German flag, which vessels were scurrying for safety in neutral ports wherever available. By this time wireless was well established and, although not a common part of a freighter's equipment, all passenger liners were so equipped; so, possibly for the first time in history, vessels of belligerent powers at sea knew of their danger immediately.

War risk insurance started off in 1914 as it always had in former wars, that is, the coverage was complete against capture, seizure and destruction by men-of-war, etc. by all belligerents. It soon became apparent, however, that British sea power was overwhelming, and German shipping stood no chance of getting through, nor did neutral ships bound for German or neutral ports stand a ghost of a show. This resulted in the world market soon adopting what is known as "Free of British Capture Clause." The British themselves were not, due to national policy, permitted to insure against their own capture, but we in America, being neutral, could of course cover the risk of British capture, and some very severe losses were sustained because of inevitable seizure and capture before the new exclusion became effective. This was later extended to exclude capture by the Allies and the United States when we became belligerents. The coverage, therefore, for all intents and purposes, was narrowed down to capture and destruction by German submarines and raiders, plus mine risks. During the course of the entire four years of war the danger of German submarines grew in intensity until at one time they practically held the Mediterranean in the hollow of their hands, with the result that rates of 30 or even 50% were freely quoted. War rates ranged from a small fraction of a per cent. for certain voyages to extraordinarily high figures for others. In spite of the high rates charged, a great amount of business was done, although at times the capacity of the war risk market was severely taxed in order to provide the necessary coverage in view of the greatly inflated values of both vessels and cargoes.

In 1915 the United States established a government war risk office so as to provide coverage at subsidized rates. This bureau was set up by men from the marine insurance business of the country, as a department of the United States Treasury, and it served a useful purpose during hostilities. At no time, however, did government insurance eliminate the necessity for private coverage, the demand for which remained strong at all times. The demand for war risk was so great that innumerable of our great fire insurance companies which heretofore had not engaged in the marine business, established marine departments, with the result that the market was greatly expanded. These companies which came in during the war have remained, and as this article is written we now have approximately 150 separate insurance companies, both American and foreign (mostly British), transacting marine insurance in America. This was a long step forward from the early days, and it might therefore be said that American marine insurance became of age during the period of the First World War.

One interesting side light of the early days of the century was the insurance of the new invention commonly referred to as the "horseless carriage." Strange as it may seem, automobile insurance was a product of the ingenuity of the marine insurance underwriters and brokers; and, long before the fire companies took up this now most important segment of the business, it was quite customary to have the ocean cargo marine departments issue policies on automobiles and use a basic ocean cargo form with appropriate riders to take care of the new type of risk. It was not thought at the time the business would ever amount to much; and certainly none of the marine people of those early days ever contemplated that within much less than one generation automobile insurance premium would exceed marine premiums.

The significant fact that I am attempting to bring out in this deviation from what is supposed to be an account of marine insurance is that this is one of the best examples of the flexibility of the minds of the marine underwriters, which has existed from time immemorial and continues to be the case today, subject, however, to various state laws, rules and regulations, with which the underwriters of previous years did not have to concern themselves.

NO account of the half century just closing would be complete without some reference to the change that has come about in the preparation of the personnel of the business for their jobs. Prior to World War I a young man would enter the business, probably as an office boy, and, during the course of long years of humdrum detail, he might and often did pick up a certain knowledge of marine insurance and all its intricacies, provided he was ambitious enough to seek his own education. Very little effort was made to see that he was formally instructed and his immediate superiors, while in many cases most helpful in guiding the young, in too many other cases took exactly the opposite view. As time went on, however, the industry saw the fallacy of this system, and today, thanks to the foresight of the American Institute of Marine Underwriters, the Insurance Society of New York, and the chief executives of many of the large companies, excellent courses in marine insurance are available for both brokers and underwriters, and some of the most experienced men in

GREETINGS

We are pleased to have this opportunity of congratulating the National Underwriter upon attaining its 50th Anniversary.

We extend our best wishes for its continued success during many years to come.

T. L. HAFF
U. S. Manager

**THE EUROPEAN GENERAL
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OF LONDON, ENGLAND
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the business, including average adjusters, are glad to act as instructors in these schools. So far our universities have rather avoided marine insurance or scarcely touched upon it, although courses in other types of insurance are a well established part of the curriculum of many of our large universities.

While on the subject of education, particularly during the past decade and especially during the period of World War II, very many organizations, and important ones such as the National Association of Manufacturers, American Management Association, and innumerable exporters' and importers' associations, and chambers of commerce have been addressed by practical marine insurance men. This has served a very useful purpose in familiarizing the buyers of marine insurance to some extent, at least, with the mutual problems that are encountered in dealing with this necessarily technical type of protection.

It is always dangerous to attempt to be a prophet, but in considering the half century just ending, one's thoughts naturally turn to what the future holds. At the present time we find our country the possessor of the largest, finest and most modern merchant fleet in history. The world itself is famished for goods and the United States is probably the only great producing nation of the world that can supply the demand. It would therefore seem almost certain that there must be a bright future for the business of insuring ships and cargoes on a scale hitherto unknown. American security will unquestionably be demanded for a great portion of this coverage. It would therefore appear that the very much enlarged marine insurance market we have today will have ample work to occupy it in the years to come. Furthermore, from the type of men who are now coming up in the business it would seem reasonable to believe that the future of the industry is in good hands.

It must be conceded, however, that the future of the American Merchant Marine involves some serious economic problems. The cost of operating American ships in comparison to those of other flags, and especially the frightful labor situation that has developed in the marine industry, as well as shore going jobs, particularly during 1946, augurs ill. These difficulties must be ironed out if America is to prosper as a maritime nation.

ONE of the most important and forward actions taken in recent years was the formation of a syndicate to write the ocean hull business. America emerged from World War I with a great merchant fleet which had been built and financed largely at government expense, and it was of the utmost importance that adequate marine insurance coverages be available for this revived American merchant marine.

The merchant marine and fisheries committee called leading underwriters to Washington and encouraged the formation of a syndicate whereby hull insurance could be handled through one source, and later on certain legislation was passed to implement the institution. Government interest was in vessels only and not in their cargo. This syndicate, however, was to be available to all ocean going vessels flying the American flag. In later years, particularly during World War II, the scope was greatly enlarged so as to take in foreign hulls. The syndicate started operations in June, 1920, with 47 insurance companies subscribing for various percentages according to their financial standings and their desire to engage in this type of business. Today's subscribers consist of 83 of the leading companies, both American and admitted foreign. The syndicate is now completing its first quarter of a century with a record of efficient operation. It has proven to be not only an extremely valuable adjunct of our merchant marine, but a highly efficient means of negotiating the complicated insurances of large fleets of vessels through one source. The owners, brokers and underwriters have all benefited.

That the syndicate was set up on a sound basis originally is borne out by the fact that it stood the test of World War II, during which period the American merchant marine has grown into the greatest under any flag in history.

It is interesting to note here that when World War II got under way, the syndicate was in a position to furnish war risk coverage on American hulls before the government war risk scheme was set up, and in so doing performed an extremely valuable public service. Huge losses were incurred, and with no opportunity to recoup, as private insurance was dropped when the government scheme later on became operative.

While this article has been confined to the ocean marine business, it must be remembered that the now really huge business designated as inland marine had its beginning in the ocean side of the house. It is certainly a far cry from insuring ships and their cargoes to insuring bridges, stained glass windows, paintings, jewelry, furs, cameras, and the myriad of risks involving land transportation. The explanation of this is that no other division of the insurance business had the flexibility of writing powers or. equally important, the flexibility of mind to venture into such widely separated fields. Today the premium income from inland marine is normally greater than from ocean, and the underwriting results, by and large, are more profitable.

It would seem appropriate here to mention that the same flexibility of mind has caused the marine underwriters to prepare themselves for the vast amount of insurance that there will be a demand for as overseas transportation of cargo by airplane becomes common.

In respect to cargo business, the period after World War I and up to World War II was not particularly noteworthy except for the fact that the business was done under the hardest possible conditions. During the early days following World War I some very heavy losses were sustained due to major sea disasters. Also the cargoes were highly inflated in value in accordance with the times. In particular, crude rubber from the Far East produced some enormous losses. During these years one of the greatest disasters in marine insurance history occurred — the Tokyo earthquake of 1923—which fell heavily on all marine insurance markets, especially the American, which had huge commitments on raw silk.

About 1921 there was a serious financial recession in general business and, of course, in 1929 the great depression started, which seriously affected everything until World War II. During this period, between the major wars, there were numerous "alarums and excursions", warwise. The invasion of China and Manchuria by the Japanese, later Mussolini's war with Ethiopia, and the Spanish civil war, kept a constant demand for war risk insurance. There had also been certain disturbances in Nicaragua and other Latin-American countries, all of a minor nature, often referred to as "banana wars." The Spanish war, however, did forcibly bring to the attention of the market the new danger of aerial bombing and some very severe losses resulted from this cause. The destruction of property on shore was chiefly involved, and the loss fell largely on the London non-marine market, particularly the Madrid syndicate. It, however, boded ill for marine insurance in the future, should another war break out between great sea powers.

FOLLOWING World War I the market saw drastic changes in the type of coverages, the most important being the insurance against theft, pilferage and non-delivery, which was the result of the wholesale looting and thievery throughout the ports of the world which broke out as an aftermath of the war.

In addition, the American exporters of automobiles had for some time been requiring coverage against divers perils such as theft, breakeage, marring, scratching, denting, contact with fuel oil, ship's sweat, etc. This demand spread rapidly to other commodities, and while it is true that the rates of premium were increased over those charged for the normal sea perils covered by the usual F.P.A. or "with average" policies, nevertheless the additional premiums were quite insufficient to cover these extraneous risks, and, in fact, up to the present time are still too low.

The addition of named extra perils to the basic marine coverage evolved into a demand for what is commonly known as "all risks" insurance. This really means, risks of loss or damage due to external physical causes only, and does not cover delay, loss of market, or vice proper. This type of insurance unfortunately has become a fixture in the market and is quite a customary type of coverage for manufactured goods of all types. Were the rates of premium loaded sufficiently to take care of the extraneous coverage, there would be little to complain of, but in this highly competitive world such has not proven to be the case.

As the years went on, marine underwriters, always sensitive to political and economic changes in the world, began to view with the greatest alarm the increasing power of Hitler's Third Reich and its menace to the world. By the fall of 1938, when the Munich conference took place, the world situation was very tense. War risk coverage was in great demand and rates rose rapidly. The crisis passed. But in the early part of 1939 the underwriters became convinced that a general European war, which had been staved off at Munich, was inevitable. Steps were taken to prepare the market, not only for the immediate impact of war, but for better and more efficient methods of handling the terrific burden that war, if it came, would impose upon the market. With this thought in mind the American Cargo War Risk Reinsurance Exchange was organized and commenced operations on June 10, 1939. It will be apparent, therefore, that even though many industries were caught unprepared for war when it came in September, 1939, the marine insurance market was not caught unawares. Its machinery was not only set up but had actually been functioning for several months. The foresight of those responsible for the formation of this Exchange eventually paid off to the greatest possible benefit of the insuring public, brokers and underwriters alike. The formation of the Exchange was so important in the history of this half century, that the following paragraphs will explain its working in more detail. It may be considered the outstanding example of cooperation in the insurance business, and not by any means confined to marine.

The Exchange was based on, as the name indicated, reinsurance. Approximately 150 insurance companies, both American and foreign (principally British entered to do business in the United States), entered into an agreement whereby each one would cede to the Exchange all of its war risk coverage. Arrangements were made at the same time for each subscriber to take out of the Exchange certain agreed percentages varying approximately from a small fraction of 1% to as high as 10%, in one case even a little more, according to the size of the company and its desire to carry war risk lines for their own account. The subscription was originally based on a sum total of $2,500,000 by any one vessel. Arrangements were made, however, whereby the Exchange, through any one of its subscribers, could bind for a very much higher amount. In one case as high as $7,000,000 was covered, and reinsurance automatically provided for. Naturally rates and underwriting rules and practices had to be uniform, and a committee of nine men, representing two-thirds of the underwriting capacity of the Exchange, met frequently throughout the course of the war. In times of stress they met several times a day in fact. Rates were given the widest possible publicity and thus brokers and shippers, as well as underwriters, knew precisely where they stood. All of this ob-

With Best Wishes

viated a repetition of the hectic days of World War I, created a market in America capable of handling any cargo that was offered, and in every way made the insuring of war risk a matter of more or less simple routine.

Shortly after America became a belligerent, the United States government again established a war risk office. This time, however, it was a division of the War Shipping Administration and not the Treasury, but as usual, it was created and manned by men from the marine market. It served a useful purpose, as its predecessor had, and as in both wars, both private and government insurance were in existence side by side. There was one very distinct difference in this latter government scheme and that was that the actual negotiating of the insurance with the broker and assured themselves was through the medium of the underwriting offices of the various insurance companies rather than requiring the purchaser of the insurance to go to the government direct. The underwriters handled this business without sharing in the premiums or losses, but received a certain compensation for their time and labor.

The government office went out of existence shortly after the cessation of hostilities, but the War Risk Exchange still continues. The demand for war risk insurance is as great today as during the war itself, but naturally the rates of premium are but a small fraction of those charged during hostilities, the principal risk being derelict or floating mines, which danger is apt to continue to a certain degree for several years to come if the experience following World War I can be taken as a criterion.

Marine-wise, in contra-distinction to war risk, World War II did not bring forth any revolutionary changes in the conduct of marine insurance. The extinguishing of lighthouses, buoys, wireless silencing and removal of aids to navigation generally, increased the ordinary hazards of navigation to a considerable extent. The risk of collision was of course much enhanced due to ships being blacked out, and while these additional hazards were the outgrowth of the war, they were not, per se, war risks from an insurance standpoint. It was therefore necessary to secure additional marine premium in the form of surcharges. Later on this developed into a considerable broadening of coverage, out of which we have what is known today as the marine extension clauses, (MEC), or in England known as combined marine surcharges, (CMS). These charges and clauses are still in universal use, although rates have been reduced from time to time as conditions have improved. It is absolutely necessary that these charges continue, and were this not the case, the entire business of writing cargo insurance would unquestionably be in the red, an obviously unhealthy condition for all concerned, not only the underwriters.

No reference to the war period would be in any way complete without touching on the extraordinary cooperation that developed within the brokerage business as well as underwriting, and these two elements worked in close harmony throughout the war. This was largely brought about by the government taking over the importation of strategic materials and pursuing a policy of insuring these huge imports against marine risks but not war. Shortly after the United States became a belligerent, Washington summoned a number of the underwriters to discuss the best methods of handling the insurance on these imports and requested certain marine brokers to get together and form a committee to service the business. The net result was that the government's insurance was spread out over the entire market and the leading brokers all shared in the transactions.

No account of this period would be complete without recording the splendid cooperation for the national welfare in respect to insurance on strategic materials, that was established amongst all elements of the market that were normally competitors.

A short account of this 50 year

FIRST AUTOMOBILE POLICY

1898—$11.25; 1946—$500 Million

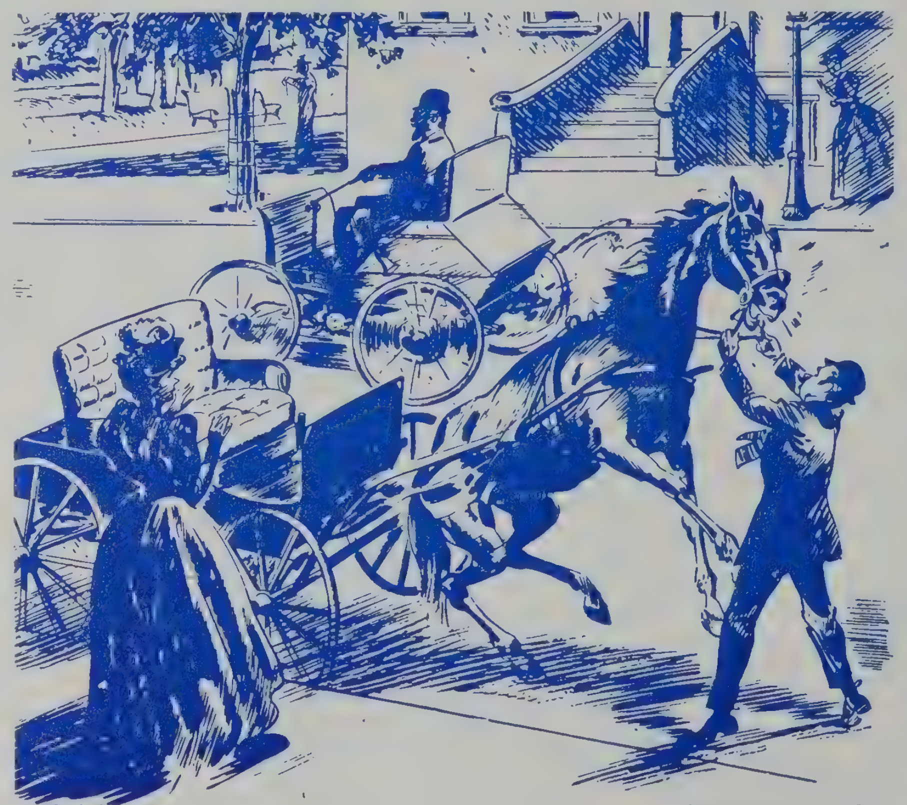
THE half-century which has comprised the life of THE NATIONAL UNDERWRITER has also witnessed the beginnings and the development of one of the most important coverages in the portfolio of American insurance, namely automobile public liability and property damage.

The first automobile insurance policy ever written was issued by the Travelers Insurance Company, February 1, 1898, on the application of Dr. Truman J. Martin of 279 North street, Buffalo. The first physician in Buffalo to get himself a motor vehicle, Dr. Martin's car was an electric. The premium he paid was $11.25, covering $5,000 to $10,000 liability. The policy was issued by Walter G. Cowles, vice-president of Travelers, who based it on the old "teams form", under which his company had been issuing liability coverage to owners of horse-drawn vehicles since 1889.

Dr. Martin removed about 1923 to New York City, where he conducted a sanitarium at Broadway and 67th street until his death in 1927. Mr. Cowles, after having experienced one of the most progressive and illustrious careers in American insurance history, died in 1942.

At the time Dr. Martin got the world's first automobile policy there were only 800 motor vehicles registered in the United States, as compared with more than 25,000,000 registered today. Indeed, it was not until 1902 that Travelers found the volume of automobile insurance business of sufficient importance to warrant the publication of rates in the company's liability insurance manual. One lone page was devoted to automobile rates, and this page was, in fact, merely a footnote to the section pertaining to horse-drawn vehicles. The "teams form" was captioned "F"; the automobile form was a subdivision captioned "FA". The rates quoted were as follows:

Cabs	$150
Hacks	$150
Hansoms	$150
Herdics	$150
Livery Vehicles	$150
Omnibuses	$250
Private Vehicles	$100



Courtesy Travelers

Parenthetically, observe that the names applied to motor vehicles in the rates quoted above were borrowed from the nomenclature of horsedrawn conveyances. A herdic, incidentally, was a low-hung cab, with side seats and entrance in the rear.

By the year 1906, the automobile had attained sufficient popularity to warrant the establishment of a table of rates. They were based on horsepower, with a basic minimum charge of $40. The price per horsepower was $2.50. Thus, if in 1906 you owned a 40-horsepower Locomobile, you paid an automobile liability premium of approximately $100. What's more, your policy would include only public liability, with no property damage coverage. One has only to consider the fact that the smallest Ford manufactured today contains a 60-horse-power motor to perceive that the insurance rates of 1947 are a bargain compared with the rates charged in 1906.

Attendant upon the establishment of the horsepower system of rating, Travelers published a booklet listing the kinds of automobiles on the market in 1906. This publication, entitled, "List of Automobiles", contained much information of interest to those interested in automotive history.

There were two horsepower classifications printed beside the name of each car. The first one was labeled "Advertised Horsepower" and the second, "Insurable Horsepower". For instance, the advertised horsepower of the Acme, model 16, was 50. The insurable horsepower, however, was only 36. This discrepancy between the actual and the advertised horsepower was one of the reasons for the eventual abandonment of the horsepower system of insurance rating. Automobile manufacturers were not so ethical in their advertising in the early days as they are today.

Among cars classified for premiums in this 40-year-old booklet are the Albany, Apperson, Bendix, Benz, Berkshire, Corbin, Crown, Darracq, Diamond, Dixie, Duryea, Eureka, Glide, Great Western, Hay-Berg, Haynes, Heine Velox, Jewel, Jonz, Kisselkar, Meteor, Panhard, Pope-Hartford, Pullman, St. Joe, Steel Swallow, Success and Zimmerman.

The majority of the manufacturers of automobiles in business in 1906 have long since disappeared from the market. The Travelers' 1906 "List of Automobiles" contained the names of 126 manufacturers of gasoline-motor machines and nine manufacturers of electric-motor machines. In comparison, there are probably less than 30 cars on the market today.

February first of next year will mark the 50th anniversary of automobile public liability and property damage insurance — an enterprise which has grown from Dr. Truman J. Martin's original premium of $11.25 to an annual premium volume which the insurance companies of America estimate at more than $500,000,000.

From all of us
to
all of you

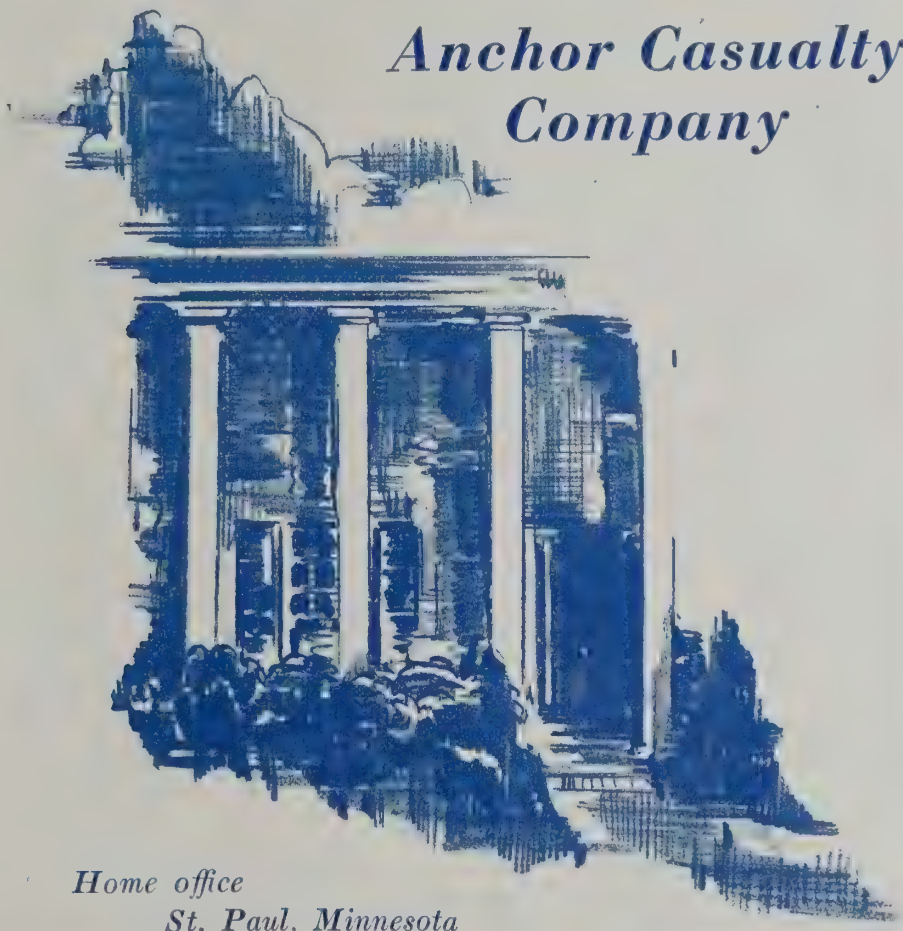
R. V. MOTHERSILL
Chairman

HENRY GUTHUNZ,
President

Congratulations
on this your
50th Anniversary

Anchor Casualty Company

ARCHIE L. ROOCH
Vice President



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St. Paul, Minnesota

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Vice President

G. U. BLOMHOLM
Secretary

R. B. ANGELL
Treasurer

J. V. O'HEARN
Assistant Secretary

Dean Schedule Marked New Era in Rating of Fire Insurance

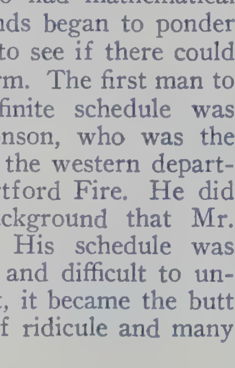
ONE of the greatest and most outstanding figures in western fire insurance was A. F. Dean, who for many years was assistant western manager of the Springfield F. & M. and later manager. He represented the scholar in fire insurance. The business has produced no one equal to him in this respect. He was not only a profound student of insurance in its various aspects, but he was an even greater student in the field of pure and applied science and mathematics. In fact, there was not a subject of scholarly interest that Mr. Dean had not probed. He was far more famous as a rating expert than as an underwriter. He studied for years various branches of science, endeavoring to work out a plan that would be practical in fire insurance rating. He studied the methods of railroads and other great organizations in their means of arriving at a proper selling price. He spent some time, for instance, in poring over railroad tariffs. Until he brought forth the analytical system of fire insurance rating, the work was done in a more or less hit-or-miss fashion. There were certain standards observed, but they were not scientific. The work of rating was done largely by field men. Their state organizations had a secretary who looked after this important activity as well as others. At the meetings of field men, the subject of rates was the most important feature of the agenda.

A. F. DEAN

Prior to Mr. Dean's entrance into the field of rating, there were not the large number of complications that are in vogue today. Business and commerce were far more simple. There were not the hazards that are apparent today. The industry at large began to realize that it could not justify its system of rating. There was no scientific basis. Insurance could not justify itself or defend its reputation because of this weakness. Therefore, those who were interested particularly in the technicalities of the business and who had mathematical and actuarial minds began to ponder over the subject to see if there could not be some reform. The first man to bring out a definite schedule was Charles F. Simonson, who was the chief engineer in the western department of the Hartford Fire. He did not have the background that Mr. Dean possessed. His schedule was very complicated and difficult to understand. In fact, it became the butt of a great deal of ridicule and many jokes.

Then Mr. Dean appeared with his analytical system of fire insurance rating and presented a schedule, which, while difficult to comprehend, was obviously one that could be defended in all respects. There were a number of young men who had been helping in rating and studying the subject who took up the Dean schedule, as it was called. They became well informed and were regarded as teachers.

Among the more prominent were Harold M. Hess, now manager of the New York Fire Insurance Exchange; J. V. Parker, for many years manager of the Western Actuarial Bureau; R. M. Bennett, who was state agent of the New York Underwriters in Illinois, and later became an official at its head office. The Dean schedule was a subject of many jokes, but it could not be torn down. It was seen that Mr. Dean had built a schedule on a perfectly sound and logical basis. It was adopted throughout the west, and it now is the official rating schedule in most jurisdictions. It was a wonderful contribution to insurance. There has been no great change in the conduct of fire insurance for the last 30 years. The Dean schedule marked a new era.


H. M. Hess

Dean schedule classes were formed in the large cities. Some of the leading field men began studying the schedule and mastered it. Therefore, they were in great demand. They had a real talking point of superior service among agents. The schedule was attacked by some of the state insurance commissioners. Thomas Bates of Chicago was then the attorney for the old Western Union and he had to defend the schedule. Usually he took with him on his visits to these officials P. D. McGregor, western manager of the Queen, who was a personal friend of Mr. Dean, and who had as fine a knowledge of the schedule as anyone at that time. He was a diplomat, and commissioners and other officials with whom he came in contact were impressed with his explanation of the schedule. There were a number of attempts to popularize the schedule, but it was too difficult to comprehend to be said to be popular. With Mr. Parker and Mr. Bennett taking the lead as teachers, Mr. Hess was fortunate to get in on the ground floor as a young man just out of college with a consuming desire for thoroughness and order. Mr. Dean was known as a great theorist as well as a practical fire insurance man. These young men did all they could to help in applying the scientific principles which Mr. Dean had enunciated.

There were numerous schedules in effect in various states, both in the small towns and larger cities. Western Union had prepared for recommendation a set of special hazard schedules which were different for each of the various general classes of manufacturing risks. The standards for construction and protection, both public and private, and for occupancy, processes and devices, were either lacking or very crude. The Underwriters Laboratories was just beginning its great contribution to standardization and the same was more or less true of the National Board's engineering department and some of the leading committees of the National Fire Protection Association. Help in overcoming a great deal of the inertia which existed came from the great San Francisco earthquake and conflagration in 1906. It was granted that there was a real need for greater uniformity in the application of a rating schedule which would give proper recognition to those features which permitted concentration of high values subject to one loss, especially in the larger cities.

Mr. Dean concluded that Mr. Hess should superintend the application of the analytic system in the larger cities in the middle west such as Minneapolis, St. Paul, Cincinnati, St. Louis and Detroit.

As one looks back over this period, it must be acknowledged that a good job was done considering the material at hand. At least the schedule made its impression on the supervising authorities, both state and municipal. Reasonable incentives were afforded for measuring the fire hazard and enabling the assured to fix his own premium rate within reasonable limits. It seems fortunate at this time that there were those who were scouting for greater simplicity and fewer details. Even at this day there are groups who call for streamlining rating methods and greater simplicity. The authorities today are not in favor of replacing schedule rating by class rating except in those comparatively few classes where the values of individual risks are not large, and where the individual risks do not vary in hazard to any great extent.

Mr. Dean built up a large library of technical works that he read, preparing himself for the perfection of his schedule. When the schedule was well grounded, the field men who intended to render adequate service felt compelled to become "Dean Schedule Men." It was Mr. Dean's scientific, logical, thorough, substantial foundations that made his work successful and dependable. One of the great inducements of the schedule was to provide a monetary advantage to assured for making improvements and changes in his risk. Thus he earns lower rates. There were dozens of men that were studying what was known as the work-out schedule of risks, endeavoring to see whether anything more could be recommended to an assured that would reduce his rate. Service men and engineers got the first work-out schedules and studied them carefully. Very often, in spite of the study that had been given the risk, others found opportunities for further recommendations

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Marine Insurance

period does not permit any reference to personalities. This should be done in some more elaborate work.

No attempt has been made in this account to give any statistical data as to the volume of marine business. It is naturally, of its very nature, a very much smaller volume than fire, casualty or life insurance. The published figures for the year 1945, however, are an indication:

Ocean Premium -	$ 85,917,371
Inland Marine Premium	114,007,342
War Risk Premium -	15,300,346

During the war itself, however, the total volume of premium written in the American market alone amounted to literally hundreds of millions of dollars, and the capital sums insured ran into the billions. No reference is made to the amount of marine insurance on American interests that was placed in the London market. No exact figures are available.

In conclusion let us consider the question of London competition which has existed during the entire period covered by this narrative, and the half century ends with the competition just as serious as it has ever been in history, possibly more so. The London market, like the American, has grown in size and capacity over the years; and marine insurance, which is such a large part of England's great invisible export, will in the foreseeable future unquestionably see a continuation of the serious competition that has existed for so many years. Somehow I feel we shall make the grade. We always have.

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The average insurance buyer doesn't give his insurance much thought until he has a loss. He then expects YOU, his insurance agent, to get what he is entitled to within a reasonable time. He also lets you work out such details as selection of coverages, limits and company.

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OFFICES IN PRINCIPAL CITIES • COAST TO COAST

Operating an Agency in 1889 Was Rugged but Much Simpler

BY J. D. MARTIN

THE method of writing and placing the business of fire insurance has radically changed since 1889, the year I began my business in Chicago. There was a close association and contact with the people due to a smaller city and people living close together. A man took residence — bought a home, and settled down to raise a family.

Rapid transportation, modern living conditions and extended coverage has complicated and magnified the work and increased the number of clerks and innumerable assistants and responsibilities.

John D. Martin on Jan. 1, 1947, was the oldest living local agent active in the business in Chicago. He spends his winters in Florida where late last year he was elected president of the Three-Quarter Century Club of St. Petersburg. An active voice in the club's chorus, he also has taken part in St. Petersburg dramatics.

We wrote fire insurance, windstorm and lightning.

There was no casualty insurance with its varied forms hopelessly to puzzle the agent. The old policies were printed in larger type and were larger in size, but were less liberal in their coverage than today.

Policies were written in long hand with steel pens, under gas or lamplight by the best penman in the office —myself. There being no telephones and no typewriters, every letter was written in long hand. There were fewer brokers and solicitors, as every man solicited personally for his business.

We called at night at homes after business hours, which were from 8 a.m. to 6 p.m. We rode on the horse-drawn street cars, mostly unheated and with beds of straw—to keep feet warm. The windows were covered with frost, the driver was bundled in large coats, and a bell jingled to warn the man on foot of the approach of the car.

Many times on a call I was served with hot tea and home-made cookies, cakes and candy. This hospitality made up for my late homecoming, with the signed forms in my pocket to be renewed even unto this day. Our gross earnings were less, the wages less than now, but we lived well and we had fully stocked cellars and did not have unions or foreign worries.

The fire insurance business was transacted mostly on LaSalle street between Madison and Adams on both sides of the street and was called "The Street." We would say, "I am going down the Street" and every insurance man knew what was meant.

There were no elevators and all the offices were on the first floors and in the basements, with outside steps leading down. Placing a large line of fire insurance was a lot of real work. I had to call on many firms on both sides of the "Street" to get the binders signed, and deliver the number of forms. Those outside steps in winter were hazardous and exhausting.

Only men were employed as clerks. It was a strenuous business.

The fire hazard was low and rates much lower than now, and much simpler. The appearance of LaSalle street was nondescript. No. 146 LaSalle street was the Otis building and is now known as 6 LaSalle street. There was no north or south then.

The sign of John D. Martin & Company was placed just below the window sills of the first floor and I was justly proud of that sign. It was placed where all passersby would notice.

There then was no planned uniformity of construction in the buildings, either in materials, height or style of architecture. Hitching posts lined the street for the use of those riding horseback or driving down in a buggy.

We used a grate-fire, supplied by natural gas, piped from Indiana. My customer, getting warm while he was placing his insurance on his house and barn, would forget his horse tied to my hitching post, until the sound of its pawing hoofs and insistent neighing would cut short his visit.

Many large companies of today were in their infancy then, and by merging and reinsuring smaller companies, did much to attain their present size and status. I was the sole agent of Farragut Fire of New York. Marshall Field, Sr., accepted this company. His insurance office was in his wholesale house on 5th Avenue between Adams and Jackson streets. There Mr. Hauxhurst attended to "Field's" fire insurance placement. Marshall Field, Sr., was a kind, affable gentleman. He did not pay his insurance premiums with checks, but instead sent a man with an inconspicuous black satchel, who went from office to office and paid the premiums in cash, getting a receipt for each transaction.

No one knew when he would call, and he was never known to have been robbed, although he carried large sums in that old black satchel. This money was drawn from the Merchants National Bank of which Marshall Field, Sr., was a director.

In my files are the records and therefore the history of the real estate holdings and transactions of very many of the older families of Chicago and its suburbs.

Dean Schedule

and many agents got the business on this method of solicitation.

Mr. Dean's library reflected an omnivorous student and a reader of books of all classifications. There was scarcely a subject with which he was unacquainted, especially if it had anything to do with science.

Fortunately for Mr. Dean, Major A. J. Harding, western manager of the Springfield F. & M., granted him time to study the schedule. Major Harding realized that Mr. Dean was contributing much to fire insurance and to the public. He, therefore, looked with favor on what he was doing. He encouraged him and did not object to his giving hours and hours to this special study. Therefore, it can be said that both Major Harding and the Springfield contributed to a great cause in permitting Mr. Dean to give so much time to this schedule work.

1915 TO 1947

Methods and Policies Have Improved for Rural Agent

BY K. D. DAKIN

IN 1915 I started in the insurance business in Lebanon, O., with my father. Lebanon then was a town of 3,000 people with a total population in our county of 20,000. It was the age of the Model T Ford and unimproved roads and many times it was necessary to be pulled out of a mud hole or send to town for repairs for the car. Telephones were few and far between and often it required a walk of a mile or so to reach a home where a telephone was available to phone for help.

In those days, the rural agent was limited as to lines of insurance he could write. Life, accident, fire, wind, automobile fire and boiler insurance were about the only coverages written. Many people then did not believe in insurance and were skeptical of agents and companies. There was practically no demand for automobile public liability and property damage insurance as there were few automobiles, very few law suits, and the public was not claim conscious.

The rural agent in those days had to work hard to make a living as there were limited types of insurance written and it was difficult to see many prospects due to poor transportation and bad roads.

I can remember when fire, theft, and tornado insurance on an automobile cost $30 with only a few companies willing to write it.

Look at Mr. Rural Agent today. We now have fine cars, good roads, and plenty of telephones which all add up to an easier and more prosperous life for the agent. The insurance picture for the rural agent has improved fast in the past 30 years.

Karl Dakin

All the old types of insurance coverage have been improved, new coverages written and now the customer in the country or in the small village gets the same service and protection the man in the large city receives. The farmer can now buy fire and extended coverage, farm liability and a personal property floater the same as his city cousin. Many farmers carry a personal property floater policy. Their living conditions and financial picture have changed for the better.

The comprehensive liability policy is sold to the small town resident and manufacturer and is one of the finest coverages to be written for the public, company and agent.

Good company engineers have done much to improve public relations toward the insurance business and this service has been most valuable to the company and the agent in building up premium volume.

Many years ago the insurance agent was not looked upon with favor. There was an old saying, "If a man can't make a living any other way, he goes into the insurance business." This has all changed and the insurance agent and the insurance business is now respected because of the excellent service and protection given the public. The agents, as a rule, are fine, public-spirited men and women and often are leaders in their respective communities.

There are many advantages in being a rural agent. You know personally all of your policyholders as well as their families and in a small community where you know everyone there is a friendly, neighborly atmosphere which makes life worth living. I have enjoyed being a rural agent even in the early days when the going was rough and the old Ford would sink down in the mud, and I have seen the insurance business grow to be one of the finest and most respected businesses in our country. I am proud to have had a small part in it as a rural agent and seeing it progress over the past 32 years.

Journals of 1897

Among the insurance journals of 1897 were the "Insurance Leaflet," the "American Exchange & Review" of Philadelphia; "The Chronicle" of New York; "The Investigator" of Chicago; "The Insurance Monitor" of New York; "Insurance" of New York; "The Insurance Age" of New York; "The Standard" of Boston; the "Indicator and National Journal of Insurance" of Detroit; "The Argus" of Chicago; "The Insurance Press"; the "Journal of Commerce and Commercial Bulletin" of New York; and "Rough Notes."

Cleaveland Agency in Illinois

The Cleaveland Agency in Rock Island, Illinois, was established in 1868. It is now in the hands of the fourth generation of Cleavelands. The New York Underwriters entered the agency the year it started.

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KENTUCKY
MISSOURI
COLORADO
KANSAS
OKLAHOMA
ARKANSAS

Maturity Brings Greater Burdens

Fidelity and surety lines have steadily offered more for less; leaders need clear view of goal

BY C. R. MILLER

I have been asked to be reminiscent and historical. There is always great danger in trying to be reminiscent in that one unconsicously drifts into the personal and thus lays himself open to the charge of egotism, but I shall certainly avoid any such imputation.

When I came into the surety business many, many years ago there was no apparent demand for corporate suretyship. The average business man looked at the venture with misgivings and reluctantly invested his money in the enterprise; and still more reluctantly parted with it in buying protection against the dishonesty of his employes. Whatever sentiment existed was either hostile or skeptical. Whatever laws were on the statute books were ambiguous and gave justification for refusal as well as for acceptance. Public authorities doubted their right or power to accept us and even if possessed of the power, doubted the wisdom of doing so. Judges were none too sympathetic and on every side stood obstacles in the way of our advance.

This was not an alluring or inviting prospect and it took men of vision and courage and faith to blaze a trail through this virgin forest, thick with barriers and filled with unfriendly forces which impeded every advance. These, however, were overcome by indomitable will power sustained by a determination not to fail. At that time there were three companies authorized to do surety business: Fidelity & Casualty Company of New York, which at that time was doing practically no surety business; Guarantee Company of North America, a Canadian corporation, which was operating in a very limited way, and American Surety. The latter was the only company then engaged in the surety business, and it expressed the opinion there was no room for another company and that another venture was doomed to failure. The premiums were less than a million dollars and now they probably amount to at least one hundred and five million.

The one company then actively engaged in the business confined its operations to two or three states. Now there are possibly a hundred companies transacting business in every state of the Union and in its territories. In the beginning the pathway was anything but smooth; the business of the industry was conducted cautiously and along narrow lines. Today, however, its influence is felt in every financial, commercial and industrial field. Its value is recognized everywhere business is transacted and its endorsement is sought in nearly every legitimate enterprise involving any hazard.

In the early days there were only a few states which had passed laws authorizing a corporation to become surety. That imposed upon the one or two companies then in operation the task of doing a great amount of pioneer work to secure adequate legislation in more than forty states. This was a herculean job, and I think I could be pardoned if I stated that most of that work was done by one company.

CHARLES R. MILLER

Charles R. Miller, chairman of Fidelity & Deposit, is 87, but is still the first "employe" of the company at work in the morning. He is vigorous and alert.

He studied law and was admitted to the bar in 1884. Joining Fidelity & Deposit in 1891 as legal clerk, three years later he was placed in charge of the judicial department. He was elected a vice-president in 1903, first vice-president in 1920, and president in 1924. He became chairman in 1943.

He is a modest man, but the industry accords him the position of one of the foremost authorities on surety underwriting in the country.

In 1894 when there were only two companies actively engaged in the surety business, Congress passed an act authorizing the acceptance of surety companies upon all types of bonds given to the United States government. One of the two companies had the honor of filing the first bond with the federal government. The pathway was thus clear for the companies organized thereafter and their entrance into the states made comparatively easy.

In 1897 there were not more than six or seven companies engaged in the business. Many of these companies were somewhat reckless in their anxiety to secure quickly a large volume of business. Excessive commissions were paid to agents in small territories. The rate war was most disastrous. This reckless competition kept up for eight or ten years. The authorities discovered that inadequate reserves were maintained, thus concealing the true financial condition of these companies. The situation became so serious that the Secretary of the Treasury of the United States called a meeting of executives and in no uncertain language told them that drastic reforms must be adopted; that if the companies were not securing adequate rates, some means should be found not only to secure adequate premiums, but to stop reckless competition. Out of this situation grew the Towner Rating Bureau, which for many years has been the great stabilizer of the business.

It was quite natural that the first class of bonds to be considered was the fidelity bond and it is a far, far cry from the fidelity bond issued by surety companies more than 50 years ago to the blanket bond given to banks and commercial houses in 1947. Then the bond was a bond in the strict legal sense. It was necessary to have a principal on the bond; a direct obligation of someone responsible. This was regarded as fundamental. The insurance was limited to fraud and dishonesty on the part of some definite person upon whom could be fastened the obligation to pay. Besides, the application for the bond was accompanied with the employer's statement setting forth the duties of the employe and safeguards thrown around the discharge of the employe's duties, which were warranties and became an essential part of the contract. The imposition of this responsibility on employers was soon found to be unjust and in a little while there was a radical departure from this strict surety principle and the companies found themselves drifting into the more elastic and comprehensive insurance idea. The trend has finally produced the blanket bond. No attempt will be made thoroughly to analyze this bond as competitive conditions have made the insuring public familiar with the protection it affords.

THE tendency for years has been toward increased coverage with diminishing rates. It is illustrative of this tendency to take a look at the early blanket bond. Its penalty was a fixed sum and when a loss came it was deducted from the penalty of the bond, and when a restoration premium was paid it only covered as to restored part losses which actually occurred after the date of the restoration. Then followed the provision of automatic restoration with a premium which restored the full penalty of the bond for past and future. Now, however, the liability is fully restored for past and future without the payment of any additional premium. The possible cumulative liability on these bonds is enormous.

In this evolution of corporate suretyship from the narrow coverage of years ago to the broad protection now afforded by the blanket bond, the surety companies have pursued no definite policy and no fundamental or basic principle was established and followed, with the result that there was no clear grasp of where we were headed, nor what limits, if any, should be placed upon the functions of corporate suretyship. Dishonesty is a measurable hazard. Fraud is a measurable hazard and even gross carelessness, elusive of definition and still more elusive of application, may be a measurable hazard; measured in the sense that they can be readily determined from all the facts and circumstances. When, however, you go beyond this into the realm of honest carelessness or honest mistakes you are treading on ground involving the element of efficiency and judgment, and the question arises whether surety companies should guarantee one's efficiency and one's business judgment. I have always thought that corporate suretyship should not be expected to go so far as to guarantee that those charged with management will use sound judgment. Just how far we should go is still a subject of debate, but certainly the obligation is on our industry to keep in close touch with the evolution of business from one disturbed state to another, noting the hazards that arise and offering security, if possible, against their repetition even to the extent of including losses that may be hidden if discovered within a reasonable time. I repeat, it is a far, far cry from the fidelity protection of years ago to what it is today and to what it may be a little later on.

THERE is another class of risks which is a great revenue producer and which shows the same evolution of increasing hazard with diminishing returns — contract bonds. At first these bonds in private contracts were thought to be only indemnity to the contractee. It was soon found out that the right to file mechanics' liens and to issue attachments against the money, tied up the contract money, embarrassed the contractor and frequently led to default. The solution of these difficulties was dumped into the lap of the surety company and a decision made whether the surety would take up the completion or force the owner to find some other means, and assert his claim against the surety in the event of loss. In time it was thought that the fair thing to do was the execution of two bonds, one for completion in favor of the owner and the other to those furnishing labor and material who were given the right of action against the surety with certain reasonable lim-

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60 John St.

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One of the Great Insurance Companies of America
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itations. On public contracts the requirements of the federal government may be taken as typical of what the states demand.

Prior to 1894, when the original Heard Act was passed, there was no provision for the filing of a bond to protect furnishers on government contracts. The government usually inserted a clause in the contract requiring evidence of the payment of furnishers before final payment could be had by the contractor. The Act of 1894 required the contractor and sureties to give bond for the faithful performance of the contract and for the payment to all persons supplying labor and material in the prosecution of the work.

Many serious questions arose as to the interpretation of the statute.

a—The question of jurisdiction as between the federal and state courts;

b—Multiplicity of suits in various jurisdictions;

c—The question of the relative rights of the United States and the furnishers, particularly as to whether the United States had a prior claim on the bond as against the furnishers.

These questions, which were freely litigated in the courts, led to an amendment of the act in 1905. This amendment provided that following completion and final settlement of the contract, the government had a period of six months within which to assert any claim that it might have, and it gave the government a prior claim on the proceeds of the bond. Furnishers could not sue until after the expiration of the six months' period, and if the government had a claim sufficiently large to absorb the whole penalty of the bond, the furnishers had no protection.

The amendment of 1905 further provided that only one suit could be brought; that the suit had to be brought in the district court of the district in which the work was located; and that all claimants had to intervene in the first suit filed.

Again there was a lot of litigation over various questions of interpretation, and there was widespread dissatisfaction among furnishers because of the requirement that they must wait six months after final settlement before bringing suit. In a number of cases there was trouble about determining the date of final settlement.

In 1935 the act was again amended. This amendment is known as the Miller Act. It provides that the contractor must file two bonds, one for performance of the contract, and the other for the payment of furnishers. Under the terms of the act any furnisher to the contractor, or to a subcontractor, may sue on the payment bond after the expiration of 90 days after the day on which the last labor was performed or material furnished by him. Separate suits may be filed by each furnisher, but all suits must be filed in the district court of the district in which the contract was to be performed. All suits must be filed within a period of one year after the date of final settlement of the contract, and the act contains provisions for certification of that date by the Comptroller General. This latter provision eliminates the troublesome questions under the former act as to the exact date of final settlement.

Generally speaking the Miller Act has met with the approval of contractors and furnishers. The unreasonable delays often made necessary under the old act are eliminated. Contractors and their sureties receive early and more definite notice of unpaid bills. Many of the technicalities involved in the complicated procedure under the old act have been eliminated.

There is a class of risks which has almost faded out of the picture, depository bonds guaranteeing the solvency of banking institutions. Less than 20 years ago these risks were the source of quite a sizeable premium volume. It was really regarded by all of us as the cream of the business. In the reaction of 1921 the bank failures west of the Mississippi river were numerous; some of them involved heavy losses to most of the companies. The bankers in the east, with great pride, predicted that these disasters would never cross that river eastward, but they changed their tune in 1931, 1932 and 1933 when the most numerous and heavy bank failures caused the most disastrous disturbance in our commercial and financial life. In their trail followed the mortgage guarantees imperiled by the drastic business reaction. Together they threatened the very life of corporate suretyship, but let it be said to our credit, nearly all of the companies rode the storm and came out of the cataclysm with a record of which they may well be proud. The sound business sense of the country responded by continuing to give the companies their business, realizing that companies which could successfully withstand the assault made on them by such a panic were entitled to the confidence of the insuring public.

OUR industry has produced some great men. Edwin Warfield, a man of unique personal charm and magnetism; a man of determination and courage; a man with faith in the inherent honesty of his fellow man; a man willing to stake his whole life's work and prospects upon convincing a credulous business world that there was a real necessity for a business which appeared to be founded upon a paradox—that its success grew out of the mistakes and failures of men. He was the leading pioneer in the new enterprise.

Then came John R. Bland—resourceful, aggressive, courageous, with firm convictions as to methods of development and expansion. There was no obstacle that he would not tackle. There was no difficulty that his remarkable foresight did not see and his clever ingenuity did not find a way to overcome. When in competition either for business or for producers every other executive knew what he was up against in meeting the tireless energy of John R. Bland. He was one of the giants of the industry.

Another man of large stature, but in temperament and activity somewhat different from the others, is F. W. Lafrentz, a quiet and reserved man with no bluster or tirade of abuse. He maintained an even temper, but beneath there was great force and ability. He commanded the universal respect of the entire industry and in his quiet forceful way proved a great balance wheel and stabilizer. No executive exercised greater influence in keeping the industry upon a basis which commanded the respect of the business world.

Last, but by no means least, is William B. Joyce. He was a force that had few, if any, equals in the industry. He was truly a giant in the surety world. His keen intellect, his clear perception and his prompt action made him a rival feared by all. His rise from obscurity was phenomenal. His pathway to success was characterized by achievements which could be accomplished only by great ability that recognized no limitations and by a grasp of opportunities which perhaps had no equal in the business. No man could go as far as he did unless he was endowed with unusual abilities. He was John R. Bland plus.

In my long experience traveling the whole country many times I have come in contact with many field representatives of most of the companies. If I were asked to go over the field and pick the outstanding man for executive ability, for the soundest analytical mind, for knowledge of every phase of our business; for the man who commands the greatest respect from rival competitors, the man who is consulted most by rivals in serious underwriting propositions and the one who stands out above any other field representative, I should select Guy DeRoy Stevick of San Francisco. He is, pre-eminently, the ablest field executive in the industry.

In Good Years or Bad, Fire Insurer Faces Difficulties

Sensitivity to profits characterized fire company officials in 1897.

"Last year (1896) proved favorable for the business of fire insurance, but what does it signify? If the record for 1896 was the best for 20 years, was not that for 1893 the worst? The loss ratio for the last year was unexpectedly and illogically low . . . but insurance is a business of average, and the record of one year or of one locality must be well shaken with other factors before taking . . .

"Reducing rates is the easiest thing in the business, as raising them is the hardest . . . It takes about three years to restore the reduction of one year, when reduction is indulged in, and the worst of it is the burden of restoration bears heavily upon agents. Every agent knows the extra labor incident to renewals at increased rates, and they will have no pleasure in reduced rates unless the reduction has come to stay . . .

"Bargains in fire insurance usually turn out like the advertisement offering '10 genuine 2 cent postage stamps for a cent and a quarter'—i.e., a quarter of a dollar and one cent."—Glens Falls' "Now and Then," May, 1897.

Size of Casualty Business in 1890s

	1892	1896	1897
Assets—	$15,686,690	$28,563,940	$31,808,633
Capital—	6,304,600	10,179,600	10,935,460
Surplus—	2,102,928	5,634,740	7,518,211
Premiums—	10,732,377	15,628,502	15,935,817
Losses—	4,351,737	6,328,450	6,302,692
Dividends—	387,776	595,880	616,308
Expenses—	5,535,172	9,350,308	8,679,999

The tables above reflect the size of the casualty and surety business in the 1890s. They were taken from the reports of the New York insurance department for 1893 and 1898. James F. Pierce was superintendent in 1893 and Louis F. Payn in 1898.

Total casualty and surety premiums in 1897 were approximately what plate glass premiums were in 1945.

There were only 13 companies, domestic and out-of-state, licensed to do business in New York on December 31, 1892. These were American Casualty Insurance & Security of Maryland; American Surety; Employers Liability; Fidelity & Casualty; Guarantee of North America; Hartford Steam Boiler; Lloyds Plate Glass of New York; Metropolitan Plate Glass of New York; New Jersey Plate Glass; New York Plate Glass; Standard Life & Accident of Michigan (the Standard Accident of today); Travelers, and U. S. Guarantee.

The companies in 1897 were American Surety, Fidelity & Casualty, Great Eastern Casualty & Indemnity, Interstate Casualty, Lawyers' Surety, Lloyds Plate Glass, Metropolitan Plate Glass, National Surety (which commenced business June 9, 1897), New York Plate Glass, Preferred Accident, United States Casualty, and United States Guarantee, all domestic companies, and Aetna Indemnity of Hartford; American Bonding & Trust of Baltimore; City Trust, Safe Deposit & Surety of Philadelphia, Employers Liability, Fidelity & Deposit; Guarantee of North America, Hartford Steam Boiler, London Guarantee & Accident, New Jersey Plate Glass, Standard Life & Accident, Travelers, Union Casualty & Surety of St. Louis and U. S. F. & G., out-of-state.

Ocean Accident & Guarantee was listed under title, credit and mortgage guarantee companies.

American Casualty was not among the living in 1897. It tried to write public liability on street car lines and failed. Its experience proved that the degree of care on the part of common carriers was too great to make it possible for insurance companies successfully to write the business. London Guarantee took over some of the company's general agencies.

ONE HUNDRED YEARS AGO a small band of pioneers entered the Salt Lake Valley. Hearkening to their leader's words, "This is the Place," these courageous people commenced the settling and cultivation of Intermountain America. Huge blocks of granite were pulled by oxen from a nearby canyon to erect appropriate buildings for government and worship. Harnessing the mountain streams, these pioneers watered the thirsty ground and with crude handwrought tools fought the stubborn sagebrush and swarms of crickets. In forests to the south, seasoned wood was found which contributed pipes for a mighty organ, an indication of the culture established in a wilderness. Through vision, unwavering faith, sacrifice, cooperation, and endless toil and sweat these worthy Americans made the "desert to blossom as a rose."

Building upon this heritage, the Beneficial Life Insurance Company was founded to serve Western America. Integrity, loyalty to purpose, and service to mankind are its motivating ideals. Progress of the Company is measured, not only by its statistical growth, but also by the mantle of protection and financial security which it places about the widow, the orphan, and the aged.

To commemorate this Centennial Year, the Field Representatives and Employees of the Beneficial Life have adopted as their slogan:

Revered ancestors seem to whisper —
Meet your daily tasks with earnest effort.

BENEFICIAL LIFE
INSURANCE COMPANY

Is your Life Insurance BENEFICIAL

George Albert Smith, President

Salt Lake City, Utah

Life Office Management 1897-1947

Free Interchange of Information and Idea Contrasts with Old Days

BY F. L. ROWLAND

FROM the photographs and meager historical data we have available it would seem that the life insurance office in the year of our Lord 1897 was a dignified and comfortable institution, characterized by the simplicity of office devices and the complexity of the raiment of the lady personnel. Measured by today's standards, office work in 1897 was a tedious occupation with long hours—60 per week—and low wages. The entrance wage that year was three dollars a week and an experienced bookkeeper received from $10 to $12 a week. The typewriter was just coming into use and the copy press served as a substitute for carbon paper.

During the five decades since 1897, the wages of our life office workers have increased eightfold, hours of work have decreased almost 50%. Many additional benefits have been added to our policies — all this has been accomplished without increasing the price of our basic product, a whole life policy. This is indeed a significant commentary upon the quality of our management during these past five decades. As uncontrollable costs have increased, we have met the challenge not by adding them to the price of our product, but by devising means of handling ever-increasing numbers of transactions with fewer people.

Those who have been charged with this responsibility have accomplished the objective:

1. Through the use of machines which save time and effort and improve the quality of our work.
2. Through improved methods and procedures that eliminate waste of time and maintain a more constant flow of work to the individual clerk.
3. Through improved supervision which devotes time and attention to creating and maintaining a willing cooperation on the part of those supervised and to making certain that their interests are considered at all times and that their abilities and capacities are fully used.
4. Through improved training and education of our workers by which a better job may be done.
5. Through improved organization of companies and offices to avoid friction and duplication of effort and by logical assignment of responsibilities and better arrangement of staff which has brought about smoother and more efficient operations.
6. Through improved means of controlling costs of operation.

THE inventive genius of man, which has come into full bloom since the turn of the century, has contributed much towards increasing efficiency through creating and improving the tools of production. Of outstanding importance is the tabulating machine, electric calculating and bookkeeping machines, duplicating equipment, improved filing systems and equipment, communication devices, phonographic transcription and a multitude of minor devices and gadgets. But these are the tools of production, quite useless without human beings to operate them.

The industrial history of the past five decades has been characterized by the introduction of the principles of scientific management to productive enterprises. Office institutions have been somewhat slow to detect the applicability of these techniques to clerical production; however, marked progress has been made since the early twenties.

We have intelligently directed attention to the development of the organizational structure; we have devised ways and means of enlarging the capacity of personnel; we have been constantly improving operating performance and we have developed valid standards for the measurement of this performance.

We find little evidence of research in the field of management prior to 1907 when the Armstrong laws became effective. This business in common with other commercial enterprises seems to have been motivated by policies of opportunism, struggle for power, blind faith in the value of expansion regardless of cost. Progress was expressed in quantitative terms which frequently conveyed misleading or false impressions as to safety and net costs. Prior to 1907 life companies had not entered into the comprehensive group relationships that are so characteristic of the business today and which affords one of the most striking demonstrations of organized cooperation to be found in any field of private enterprise.

Among the several cooperative associations which came into being during the early twenties is the Life Office Management Association. In his article entitled "New Perspectives in Management," published in the *Spectator* in August, 1944, Dr. Harry A. Hopf, referring to the L.O.M.A. states: "Its organization marks the beginning of an epoch of creative endeavor in life insurance management, which, in two decades has yielded results of so rich and permanent a character as to justify expression of the judgment that the association is one of the most valuable agencies serving the life insurance business today."

The Life Office Management Association has over the years become a cooperative management research organization concerned in fundamental manner with problems of home and branch office administration, operations and personnel. It is serving its 182 member companies through the results of research of its many standing committees, whose work is coordinated by a small full-time staff.

Prior to the organizing of this association, there was practically no literature on life office management. Since 1924 there have been released 852 papers, addresses, committee reports and studies classified as follows:

Development of Organizational Structure	49
Enlargement of Capacity of Personnel	155
Improvement of Operating Performances	444
Establishment of Valid Standards	43
Employe Public Relations	45
Technical Research	23
General Subjects	93
	852

Through the medium of this cooperative undertaking, life companies and their policyholders have benefited to a very substantial degree. Every member company has access to tested methods, techniques and policies developed by the most skilled talent in our business, with the broad objective of rendering life insurance protection of the highest quality at the lowest possible cost.

Realizing that the training and education of home and branch office employes is the foundation of effective office administration, the Life Office Management Association Institute was established in 1932 as the educational department of the association. The program is directed to the needs of the non-technical office personnel and consists of a three-part course — elementary life insurance, four examinations; advanced life insurance, six examinations, and a graduate course in which the student elects a minor and major subject and submits a thesis. Since 1932, more than 10,000 student-employes of approximately 150 companies have been pursuing these courses.

Fifty years ago a visionary prophet of the future of life insurance concluded his observations with the following:

> "I will close with one final prediction, which may, above all my other predictions, stamp me as a dreamer. The predictions that I have made up to this point are, for the most part, merely carrying forward and elaborating upon recent developments in our business. I have simply used my knowledge of the history of the past to predict in a logical fashion the development of the future. My final prediction, however, has no historical base whatever. It is as follows: I predict that 50 years from now there will be no secrecy between the life insurance companies about their practices, procedures and ways of doing business. Business secrets in our field of endeavor will be a thing of the past —in fact, so far past that the very thought of maintaining secrecy will be ridiculed. When one from another company will visit us 50 years from now, instead of having him thrown out as a sneak thief, he will be welcomed and shown with all courtesy anything that he may wish to see. Men from all of our companies will not only meet together and discuss freely their procedures and methods and practices, but will pay money into an organization designed solely for the encouragement of this free interchange of ideas, all for the general welfare of the institution of life insurance as a whole, each feeling that by a friendly give-and-take all may benefit."

A graduate of the University of Michigan in 1914, Frank L. Rowland did special work in business administration at Johns Hopkins University. His business experience, prior to entering insurance, consisted of office methods work, Chesapeake & Potomac Telephone Company; assistant auditor, Public Service Electric Company (New Jersey); traveling auditor, B. F. Goodrich Company; and a financial officer of a large New England manufacturing company.

F. L. Rowland

From 1923 to 1934 he was secretary and administrative officer of Lincoln National Life and a director. He participated in the organization and is a past president and honorary fellow of the National Office Management Association. He is a past vice-president (office management division) of the American Management Association.

In 1924, in collaboration with the late Franklin B. Mead, then vice-president of Lincoln National, Mr. Rowland assisted in organizing the Life Office Management Association, the intial meeting being held in Fort Wayne. He was elected secretary at the organization meeting and served in that capacity until 1934 when a full-time staff was engaged and headquarters established in New York City. He resigned from Lincoln National Life and became executive secretary of the L.O.M.A. and has directed the staff activities of the association since.

During the late war, Mr. Rowland served as a part-time management consultant to the Quartermaster General, the War Manpower Board, the Navy War Manpower Board and the civil service investigating Committee of the House.

Introduces Use of Direct Mail

The late Winslow Russell, vice-president and head of the agency department of Phoenix Mutual Life, is generally supposed to be the man who started use of direct mail to solicit life insurance. Mr. Russell was a man of many ideas. He was in advance of his day so far as initiating plans was concerned. When he suggested the use of the mail, his associates tried to side track him as gently as possible, as they thought nothing could be accomplished by that means. However, Bruce Barton, a well known advertising man in New York City, who had been working on Mr. Russell in Hartford, convinced Mr. Russell and the other officials that direct mail could be used effectively.

Phoenix Mutual started advertising in the dailies, making a direct appeal to the life insurance buyer. A blank coupon was used which the applicant could fill out and send to the home or branch offices. It was surprising the number of coupons that were received. There was no bait of any kind used. The text of the advertis-

Congratulations to . . .

The NATIONAL UNDERWRITER

- Through the changing scenes of half a century, The National Underwriter has recorded, faithfully and impartially the progress of Life Insurance on this continent.

  Beyond this, however, the true measure of its editorial distinction is seen in the integrity and leadership which has permeated its columns throughout fifty eventful years.

- Fifty years ago The Great-West Life had seven millions Business in Force. Since that time The National Underwriter has recorded few achievements comparable to that established by The Great-West Life whose Business in Force was $1,057,000,000 at the end of 1946.

THE
GREAT-WEST LIFE
ASSURANCE COMPANY
HEAD OFFICE • WINNIPEG, CANADA

Growth in Disability Volume

RESULT OF RESPONSE TO PUBLIC WANTS

BY W. T. GRANT

NO one who is familiar with the importance of THE NATIONAL UNDERWRITER in the insurance world, or acquainted with its management personnel, could help but recognize the compliment in being asked to contribute to its 50th anniversary edition.

In extending me this invitation William J. Gessing, Jr., of THE NATIONAL UNDERWRITER, Kansas City, loaned me a copy of the 25th anniversary number. One has only to turn through the pages of 25 years ago to realize what tremendous strides have been made in the business during that period.

A striking example of the growth made by some of the individual companies prominent 25 years ago, and still more prominent today, is that of National Life & Accident. Look up the statement of that company as it appeared in the 25th anniversary number showing assets of $7,157,004. Compare this with the company's annual report of 1945 showing assets of $185,309,315. Certainly no one would have had the temerity back in 1921 to have predicted such growth in the next quarter century.

In undertaking to explain such growth a good many factors must be considered. Perhaps the most important one of all is the fact that disability insurance serves the average individual's primary, or most fundamental, need. It is an old axiom in the business that everything we own, or will own, save in those comparatively rare instances where substantial inheritances occur, is the result of the profitable employment of our time. To insure a continuance of income is to insure the continuance of the standard of living one has attained for himself and his dependents. The average young man or woman entering his or her first earning period and feeling unable to acquire both life and disability insurance should in most instances decide in favor of protecting the income. The obvious reason is that the chance of death during younger years is remote compared with the likelihood of sudden injury or prolonged illness—destroying income and creating unusual expense. This primary need has always existed but the past 25 years have seen the need greatly increased by the gradual shift of more and more of our population from rural areas into the large cities. The threat of illness to those living on farms or in rural communities is of course less frightening than in large cities. Coupled with this trend in population has been the steady increase in the cost of medical, surgical and hospital care, so that today very few of us could hope to meet the expense of serious disability without serious financial inconvenience, unless provision for such contingency has been made through the assurance of continued income and reimbursement for unusual expenses.

Of course a service as fundamental to the happiness and comfort of the individual as is disability insurance will constantly advertise itself. Every claimant after receipt of satisfactory settlement becomes an active advertisement for the same service. And so, as in the case of life insurance, which in the earlier days had to overcome many prejudices, disability insurance has gained the attention and the confidence of a constantly increasing proportion of our population through the payment of an ever increasing volume of benefits.

One very notable trend of the past quarter century is the entrance into the disability field of the life insurance companies. While a few of the larger life companies were issuing guaranteed renewable disability contracts on a somewhat experimental basis, and group accident and health insurance under group plans, the proportion of accident and health insurance issued by life companies was comparatively small. Today more than 75% of all the accident and health business is transacted by companies generally recognized as life companies. This has, for several reasons, had a wholesome effect upon the business, chiefly because of the greater financial strength and stability of these companies as compared with so many of the accident and health companies and associations that transacted the bulk of the business a quarter of a century ago. Unfortunately lack of confidence in the good faith and integrity of the accident and health business as it existed in those days was caused by inexperienced management of so many new and comparatively small companies in the field. The life companies upon entering this field not only had larger resources but also established reputations to maintain.

For the most part companies limiting their business to accident and health insurance have been glad of such influence and have been ready to meet their new competition by extending their service to cover new hazards against which there was no protection during those earlier years.

Foremost among the new types of coverage is that of reimbursement for hospital, surgical and medical expenses. Practically unknown 25 years ago, it has grown until by the end of 1946 it is estimated that 30,000,000 individuals will be protected by some form of hospitalization insurance.

William T. Grant, chairman of Business Men's Assurance, was educated at Kansas University Law School. He began business as a bank bookkeeper in 1897. He entered insurance and was agency manager of National Life from 1904 to 1908, and secretary - treasurer and general manager of Business Men's Accident Association 1909 to 1919. He was vice-president of Business Men's Assurance from 1919 to 1923. He was president and director until 1945 when he became chairman. Since 1937 he has also served as president and director of National Security Life.

He is a director of Kansas City Fire & Marine. Active in Kansas City business, civic, and cultural affairs, he is chairman of the board of the Kansas City Conservatory of Music and former president of the Kansas City Chamber of Commerce and of the Cooperative Club.

W. T. Grant

This type of protection has proven to be a great builder of good will toward our business. Many thousands receiving their first indemnity check for reimbursement of surgical expense have recognized the need of replacing lost income through a complete accident and health, as well as hospitalization, contract. This particular form of insurance is just now enjoying its most rapid growth, both under group plans as issued by life and regular accident and health contracts as well as under individual forms. I should hesitate to predict what the limit to sale of this type of coverage may eventually be.

In undertaking to analyze the reasons for the unusual development of our business—and the fact that the growth of accident and health insurance during this 25-year period has exceeded in ratio that of either the old established lines of life and fire insurance—we must not overlook the effect of the increased annual income of the nation. Contrast this national income, estimated at more than $165,000,000,000 for 1946, with less than $40,000,000,000 in the early thirties, and you have one of the primary reasons for our constantly increasing growth, for even if there were no more policyowners today than in the early thirties they must necessarily have four times the amount of protection to give them the same proportionate guaranteed income.

We are prone to forget at times how vital to our own business is the increased standard of living, which in turn requires increased scales of compensation, which in turn requires increased insurance in proportion to such earnings.

However, we must not be blinded by the tremendous growth of our business to the hazards that confront us and which are, perhaps, the result of the expanded service rendered. For disability insurance has now come to be looked upon as such a necessity that there are those who believe it should be provided by the government and compulsory upon us all. This threat comes from both the national and the state governments. Astute politicians seldom lead or mould public opinion, but rather follow it as they interpret it. It would be an ironic result if, through the service rendered the public by private insurance institutions, the public had become so converted to the necessity of disability protection it would be willing to have government compulsion without choice of either form, type or cost of coverage. The threat, as all of us who are in touch with proposed legislative action know, is a real one. If we meet it successfully, as I believe we shall, it will be by our alertness in anticipating and interpreting public desire and fulfilling that desire so that government advocates have no good ground upon which to plead their cause. The public generally does not desire to do business with government agencies. They are demanding the abandonment of a multitude of bureaus. The lapsation of more than 90% of all the war risk insurance issued on the lives of service men in World War I and the tremendous lapsation of National Service Life insurance issued during the recent war, gives further proof of their preference for individual institutions. But if we are to successfully avoid the intrusion of federal or state governments into our business it must be by the observance of fundamental policies. Among these are:

a. We must recognize public desire for protection against all contingencies which would impair or destroy their ability to work, earn and provide the means for continuing such income.

b. We must present our service to the public through an increasingly educated and qualified sales organization—a service that no governmental agency or bureau could or would provide.

c. We must constantly endeavor to

Direct Mail

ing was confined to giving salient arguments showing that life insurance was a good purchase. A summary of what it could do was given. The readers, it was found, took the advertisement seriously. They knew they would be called on. However, blanks were sent in and they were divided among the agents. In many cases a large percentage of new business secured by some agents came from these coupons.

The direct mail solicitation gave each agent the opportunity of sending in 50 names a month. He was urged to be careful in his selection and to appeal to those who could afford to buy life insurance and who might be interested in it. In this direct mail solicitation, a memoranda book was given to anyone who made an application.

Both these plans are still in vogue with Phoenix Mutual, and regardless of the fact that they have been used for over a quarter of a century, the interest is unabated. Many people answer the coupons and the agents are eager to get 50 names of prospects so that they can address them and send some literature.—C.M.C.

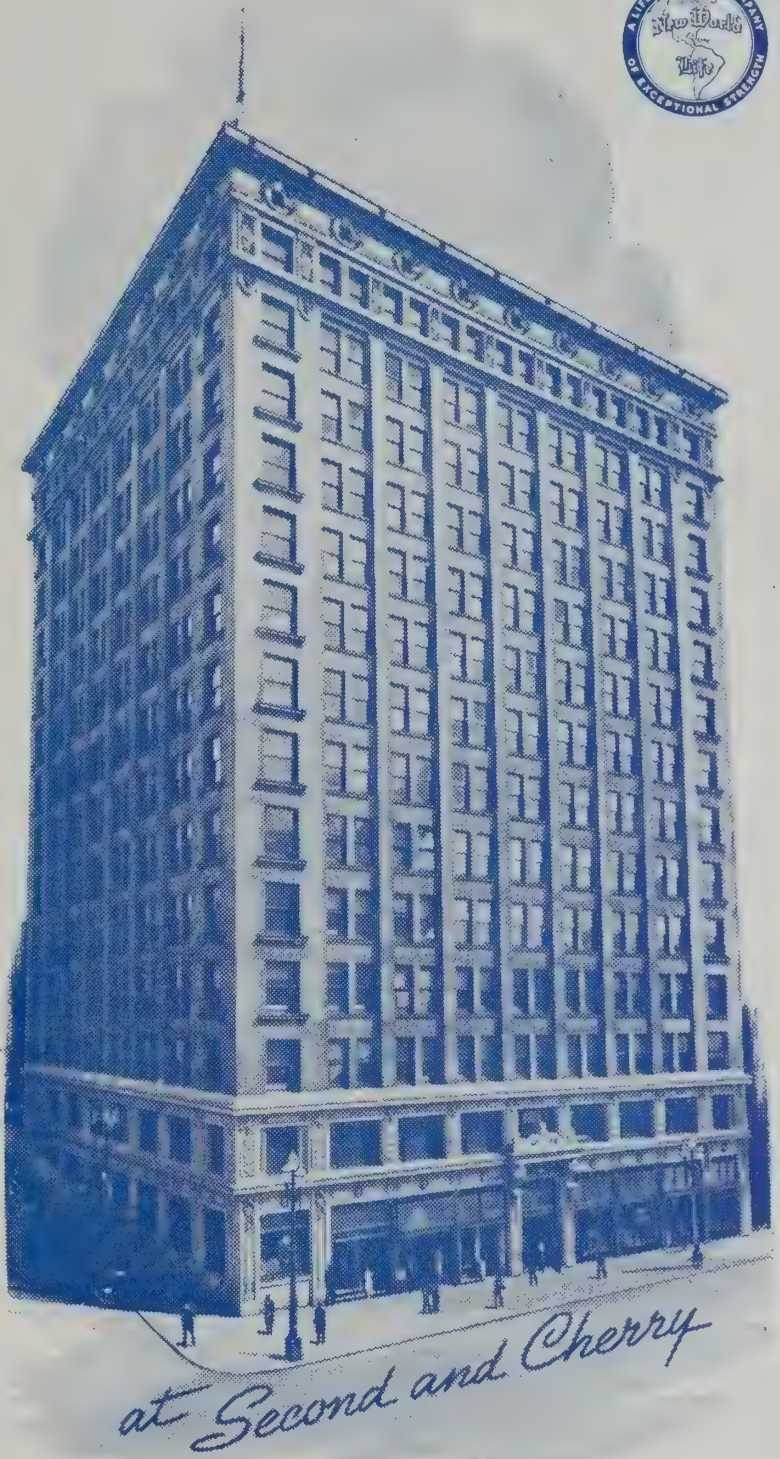
Greetings

to the

Publishers

The New World Life Insurance Company is happy to congratulate the National Underwriter upon the completion of its 50 years of noteworthy service to the life insurance profession.

In 1947 the New World Life Insurance Company will have completed its 36th year of service to policy owners. During 1946 the company realized a 55.7% increase in new paid business over 1945, bringing total life insurance in force to $75,501,898. The sound growth of the company is a splendid tribute to the vision and initiative of its founders, and justifies its slogan, "A Life Insurance Company of Exceptional Strength."



Home Office
New World Life Bldg., Seattle

New World Life Insurance Company

John J. Cadigan, *President*

New World Life Building • Seattle 4, Washington

Realistic Peace Time Policy Sought by Agents on Service Life Insurance

BY DONALD F. BARNES

SINCE it began in 1917, government life insurance has been a series of violent ups and downs: Ups during wartime and periods of national emergency when the armed forces were deducting premiums from servicemen's pay, and downs during peacetime when veterans were forced to make their own decisions about continuing it, converting it, or dropping it.

Despite the vastly increased personnel and activities of the Veterans Administration, the life underwriters of America have always played a pivotal part in government insurance. That part began in 1919 when government insurance was placed on a permanent basis.

Prior to that time, the government's insurance activities were chiefly of a temporary nature. The war risk insurance act of 1914 — the first entry of the government into the field of insurance — protected the cargoes of ships, but when it was pointed out to Congress that this seemed to indicate that the wheat in the hold was more valuable than the crew, the government started a series of amendments in 1917 that insured first the members of the crew and then all those in the armed forces. It was not until the war was over, in 1919, however, that it was placed on a permanent basis. At this time nearly 5,300,000 veterans — 90% of those who were members of the armed forces — had been insured in the amount of $45 billion, with an average policy of approximately $8,500. Today there is approximately $2,400,000,000 of U. S. government life insurance in force on about 550,000 veterans. Of this approximately $1,700,000,000 is on whole life or limited payment life plans, $400 million on endowment plans and $300 million on term and other insurance.

The other $42,600,000,000 has gone off the books, either in the form of claims, matured endowments or lapses. However, those who served in World War I are still eligible for U. S. government life insurance and occasionally there is an increase in the total in force.

Life underwriters found that servicemen in the first World War had for the first time become conscious of what insurance is and does, and during the 1920s this awareness, it is now conceded, was partly responsible for bringing about the greatest boom in commercial life insurance up to that time. While there was no organized effort on the part of agents to inform the veteran of his rights during that period, many hundreds of life underwriters worked under the supervision of the old Veterans Bureau — predecessor of the Veterans Administration—to tell the veteran about his coverage. Several reorganizations of the agencies responsible for handling government insurance hampered the effectiveness of the postwar conservation program, but Congress opened the door wide to reinstatement and new purchase by veterans, and the insurance program slowly reached its own level.

Until late in 1940, U.S. government life insurance was the only type of coverage available to those in the armed forces. Those on active service could always apply for it, but those who had left service were of course eligible to apply only if they had served during wartime.

On October 8, 1940, the National Service Life Insurance Act was passed by Congress for the servicemen of World War II, providing for the use of public funds to insure extra risks due to the hazards of war. National Service Life insurance as a wartime function was restricted in the types of policies and the right of the policyholder to name beneficiaries outside his immediate family. It also provided only for income options, there being no lump sum settlement. In August, 1946, however, the provisions of NSLI were broadened to approximate those of USGLI, although the reserve basis of the newer insurance is 3% instead of 3½%.

When NSLI became operative in 1940, government insurance began to skyrocket again, as it had done in 1917-19. Between October 8, 1940 and November 30, 1946, over $148 billion of NSLI had been written on about 16,000,000 lives. But the downward swing at the end of the skyrocket was just as amazing. Today there is approximately $36 billion in force on less than 6,000,000 lives. In 18 months about $112 billion has lapsed.

THIS time the post-war period is bringing about a somewhat different result than was the case in 1920, however, for two reasons:

1. While the Veterans Administration was under-staffed to the point of ineffectiveness during wartime, and while it is admitted by General Omar N. Bradley, head of the VA, that NSLI records are still in a "terrible mess," the Veterans Administration has started a decentralization program which will split the giant "home office" in Washington down into 13 branch offices, each more capable of handling the problems of veterans in that territory.

2. The life underwriters of the country have, during the war and following the signing of the peace, embarked on an organized program of information to veterans about their government insurance and the rights and benefits which it contains. More than 400 seminars were held by the National Association of Life Underwriters throughout the country to acquaint agents with the intricacies of NSLI, and the fact that nearly one-third of the veterans of World War II still hold part or all of their government insurance is, according to General Bradley, at least partially traceable to the activities of the National association and its committee on veterans' affairs headed by John D. Marsh, general agent for Lincoln National Life in Washington, D. C.

Donald F. Barnes acted as a newspaper reporter to earn his way through Bowdoin college and continued in that business after graduation as a reporter for the Portland (Me.) Press Herald, the Mamaroneck (N.Y.) Daily Times, and the New York Herald Tribune. He joined the National Association of Life Underwriters in 1935 as editorial assistant; became associate editor of Life Association News, the National association's official organ. In 1942 he was named director of research and a member of the association's executive staff. Drafted in March, 1943, he served for 2½ years as a master sergeant in the army air forces. He returned to the National association in August, 1945, to take the post of director of the division of veterans' affairs as well as of director of research. In March, 1946, he assumed the additional duty of administrative assistant to James E. Rutherford, executive vice-president of the N.A.L.U.

Donald F. Barnes

World War I and the already comprehensive experience following the end of World War II shows, however, that the job of convincing veterans that they should hold their government insurance is no easy one. In the first place, only a minor effort was made to "sell" insurance during wartime. Servicemen who were not immediately willing to purchase the insurance often found that it was the better part of valor to sign the application and the allotment papers. While in many sections of the armed forces enlightened personal affairs and insurance officers attempted to show servicemen the value of NSLI —an activity carried on to a much greater degree than in World War I —in the majority of cases the serviceman was almost totally unaware of the assets he possessed in this coverage.

In the second place, service by a government agency, however it may be strengthened and extended by the Veterans Administration and aided by the voluntary efforts of the life agents of America, is not likely to approach the personalized service which the citizens of America are accustomed to receive on all their life insurance problems through the American agency system.

CONVERSION to permanent plans of government insurance during 1945 and the early part of 1946 by servicemen and veterans shows a misconception as to the fundamental uses of life insurance. Despite the acknowledged fact that the greatest need on the part of most veterans is for protection rather than investment, more than 50% of those converting purchased 20-payment life. The remainder of those converting was about equally divided between 30-payment life and ordinary life. In most instances this involved decreasing the total amount of insurance from $10,000 to a much smaller figure.

Now that endowment forms are available, the first indications are that many veterans desire to convert immediately to 20-year endowment, again reducing the face value of the policy to bring the premium into line with what they think they can pay. In many cases the loss in protection is almost as tragic as the loss sustained by those who lapsed their policies entirely.

Because the Veterans Administration has conceived its most important job to be advice and assistance to its policyholders and the clarification of their records rather than the compilation of statistics, full experience on NSLI policies is not yet available. The situation as to statistics is further complicated by the easy reinstatement procedures authorized by Congress, which, until February 1, 1947, required the veteran who had lapsed his term insurance to pay only two monthly premiums and submit a statement indicating that his health had not deteriorated since the date of lapse in order to reinstate. Consequently the Veterans Administration has been unable to determine with much accuracy how much business was on the books at any given time, and full figures will probably not be available for some months.

The same zeal on the part of the VA to clear each policyholder's account and set it up on a workable basis which will result in real service for the veteran has likewise retarded the preparation of two items in which all veterans and life underwriters are interested: Policy forms and dividends. It was of course impossible to prepare policy forms until liberalizing amendments of August 1, 1946, were enacted, and the VA now is reported to look forward to supplying those forms in the near future. That there will be dividends is an accepted fact, but the exact amounts of those dividends will not be made public un-

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Response to Wants

clarify and simplify policy contracts with a minimum of expense and limitations.

d. We must adopt rates as low as may be consistent with the maintaining of financial strength of our institutions—yet high enough so that honest doubt shall be resolved in favor of the claimant.

e. We must train ourselves to pay with a smile — not reluctantly or grudgingly but with a cheerfulness, whether in person or by letter, that will win the friendship and good will of our customers.

Do all these things and more—and we should win the battle against the socialistic zealots and see our business grow until past results will seem commonplace indeed.

February 1947
The National Underwriter's Fiftieth Year

MR. BROKER . . .

DEAR SIR:

Do you sometimes wish there were two of you?

In these busy times, we are sure you do.

Personal insurance (life, accident and health), pension plans, business insurance and group insurance are becoming more and more complex, and competition is increasing.

The "extra man" . . . to help you find the right answers for your clients' problems . . . to give you prompt help, accurate help, and close contacts with home office departments . . . can be found in Connecticut General offices. Many brokers have found that the "extra man" does help them. He is as close as your phone.

CONNECTICUT GENERAL LIFE INSURANCE COMPANY
HARTFORD 15, CONNECTICUT

til all actuarial data has been compiled by the Veterans Administration.

Today the future of government life insurance interests all those in the commercial life insurance business far more than its past. Neither the original National Service Life Insurance Act of 1940 nor its amendments set any terminal date for the issuance of such insurance. Just as U.S. government life insurance was sold until the NSLI act came into being, so, under present law, NSLI may be continued indefinitely. All members of the peacetime army are eligible for it while they are in the service. It is conceivable that if a program of universal military service were begun, all trainees serving with the armed forces, even for a brief period, would be eligible for $10,000 of NSLI. This could mean providing government-subsidized life insurance for practically every able-bodied male and sending him back to civilian life endowed with an insurance estate that might take him out of the market for commercial life insurance for some time, if not permanently.

THE National Association of Life Underwriters has expressed its complete opposition to continuation of sale of National Service Life Insurance to peacetime servicemen and trainees. Now that the hazard of war has largely been removed, the association feels that the commercial companies can do the job for peacetime servicemen and trainees, and the institution of life insurance should not be subjected to this government entry into its business during peacetime. The number who may become eligible is not considered to be as important as the invasion of the life insurance field by government with the administrative expenses chargeable to the general Treasury.

The association agrees that it is certainly the government's obligation to provide indemnification for loss of life in the armed services and also for loss of earning power due to disability whether during the period of service or later as a result of such service. However, life insurance provides a much broader coverage than the government is obligated to furnish under this concept. The government is not obligated to furnish a life-time savings plan, such as permanent life insurance plans provide. It is not obligated to provide old age income for policyholders or the funds for the purchase of such income either through endowments or the cash values of permanent plans of insurance.

It is therefore anticipated that there will be presented to the eightieth Congress a proposal placing such a government indemnification program on a realistic basis and calling for a terminal date for the issuance of National Service Life insurance.

The great work already done by the organized life agents of America in conserving National Service Life insurance and informing war veterans of their rights and privileges, which will be continued by the life agent for the World War II veteran, strengthens this stand.

So long as commercial life insurance companies feel that it is impossible to cover the imponderable risks of war, there will probably have to be an accelerated government indemnification program during wartime. However, the question of whether the government will be permanently in the business of selling life insurance is one that should be settled at the earliest possible date.

Progress in

Selection of Risks

Pioneer Work in Underwriting Widens Agent's Market—Reduces Rates on Substandard Risks

BY LEIGH CRUESS

TOO many agents look upon the underwriting department as an unavoidable evil but an evil nevertheless. Once they have gotten the applicant to sign on the dotted line the only serious remaining obstacle to be hurdled is the home office underwriter.

It is, of course, true that applicants must prove acceptable to the underwriting department and that some fail the test and fall by the wayside. A few of these are declined outright as uninsurable but most of them, fortunately, do qualify for insurance, though on a substandard or higher premium basis.

Every agent understands that an insuring company must select its risks to protect itself. Naturally, in so doing it weeds out under average lives, with unpleasant results to the agent's expected commissions. Even though the risk is not declined outright and a substandard offer is made, there is a threat to ultimate delivery of the policy with possible loss of the business. We have to admit that in this way the underwriting department stands as a bar between the agent and his business.

But that this is necessary has never been questioned. Moreover, I think it can be shown that the underwriting function has actually been of measurable profit to the agent far outweighing the occasional loss of a case and the unpleasantness of having to deliver a substandard policy carrying a higher premium.

To me the outstanding feature over the years in the field of underwriting, in so far as it affects the insuring public and through it the soliciting agent, is the continual outward pressure on the boundaries of insurability, stretching the limits now here, now there, to offer insurance to as many people as possible. This purpose has been voluntarily accepted as a public obligation by insurance companies.

Originally insurance was available only to average or standard lives. When we consider the many conditions that render people under average for life insurance—for example, physical conditions such as excessive overweight and underweight, abnormal blood pressure, existence of disease or impaired function, hazardous occupations, aviation activities, personal modes of living, residence in unhealthy climates and countries — we realize that under a system which grants life insurance to only standard risks a substantial group of people is denied its benefits. A measure of the size of this group is indicated by Mutual Life's own experience. During 1945, 14% of our applicants did not qualify for standard insurance. Fortunately, 12% received substandard offers and only 2% were declined outright.

At the start there was no experience or other suitable data to furnish a satisfactory basis for insuring underaverage lives. To do so required pioneering by underwriting departments in the acceptance of certain classes of risks which had theretofore been declined. A good measure of the credit for this early pioneering should go to the New York Life and to Dr. Oscar Rogers, its medical director, and Dr. Arthur Hunter, its actuary. Their work started about 1900 and many others have followed. The sum total of these contributions now comes to a substantial body of insurance experience indicative of the effects on mortality of various physical conditions, medical impairments and histories, and hazardous occupations.

Leigh Cruess

Leigh Cruess graduated with top honors from Queens University and secured his master's degree in 1919. His education was interrupted by service in the Canadian Army. He joined Home Life in 1919 and became a fellow in the Actuarial Society in 1923; first secretary of the Home Office Life Underwriters Association in 1930; vice-president and president in 1939. He served as underwriting vice-president of Home Life before becoming vice-president and manager of selection of Mutual Life in 1941.

I should like to pay tribute to the unselfish cooperation among competitive companies in making available to all others the results of their own pioneering efforts, for the benefit of the industry as a whole and the ultimate benefit of the insuring public.

There have been, too, noteworthy inter-company investigations carried out jointly by the Actuarial Society of America and the Association of Life Insurance Medical Directors. The meetings of these organizations offer opportunities for continued exchange of underwriting experience and data. And to these two may be added the younger Home Office Life Underwriters Association, concentrating wholly on underwriting matters.

NOT only has underwriting pioneering widened the agent's market but the accumulation of experience as a result of this pioneering has led, generally, to a reduction in extra premiums for substandard risks. It was only natural that the early efforts of the companies should have been made on a conservative basis to avoid heavy losses. As the facts of actual experience replaced opinions, downward revisions of substandard ratings usually resulted. Of course, we do not overlook the contribution made in this direction by advances in medical science, in the treatment of disease, in public health and sanitation, and in the general economic well-being of the people.

Nor are the days of pioneering in underwriting all behind us. Only within the last few months some companies have begun to insure certain diabetics who were up to this time considered uninsurable. Thus the agents' market is still being widened. It is worthwhile noting that the insurable limits today take in all risks where the known or estimated mortality is within 500% of the average.

What this means to the public and to the soliciting agent is illustrated by the following comparison. Up to March, 1942, the Mutual was not issuing substandard policies on risks underaverage for medical reasons. It had for a long time issued policies with extra premiums for hazardous occupations, aviation and foreign residence. Declined cases in those days averaged about 8% of our business by number of applications and 13% by amounts. Today, with substandard for medical reasons added, our declined business has fallen to about 2% of the applications and 2½% of the amounts. Generally, only severe conditions of active disease are still uninsurable and there is hardly an occupation or aviation risk that cannot get insurance on some reasonable basis.

There has at times been criticism by the agent of the special underwriting procedures required in some cases, procedures like x-rays and electro-cardiograms. It seems to him like intensified effort by the company to find something on his applicant. In dealing with a group of underaverage lives, the company knows that not all the individuals in the group will die young; in fact, it knows that some will outlive other risks in standard groups. But the company is equally certain that the group as a whole will experience higher mortality than standard groups. Unfortunately, the

OUT WITH THE OLD, IN WITH THE NEW

There is a fabulous bird which flies only backward. This strange creature has no desire to see where it is going, it just wants to know where it has been. At the attainment of a significant milestone such as a Golden Anniversary, there is a great temptation to emulate that bird, for the achievements of the past are wreathed in glory and the future is uncertain.

In the last fifty years the insurance industry has made great strides, aided by a vigorous trade press. In the next half-century even greater attainments will be possible if we look to the past for guidance, to the future for inspiration.

When the National Underwriter was created, Kansas City Life Insurance Company was in its second year. Today both organizations are, in their different fields, significant parts of a thriving industry. By looking forward, as both are doing, they will help make possible even greater attainments.

KANSAS CITY LIFE INSURANCE COMPANY

Kansas City, Missouri

SEATTLE HOSPITAL STORY SHOWS HOW

Life Insurance Aids a Community

By W. E. SCHNEIDER

Walter E. Schneider has been director of press relations and advertising at the Institute of Life Insurance for the past 27 months. He joined the Institute after a long career in the newspaper, trade press and radio fields.

W. E. Schneider

A native of Philadelphia, he attended Central High School and Temple University in that city before entering newspaper work. He was with the Philadelphia Evening Public Ledger as feature editor and assistant city editor for 11 years before he joined Editor & Publisher in 1937 as news editor, later becoming associate editor of the newspaper trade journal. He was with the National Broadcasting Company's press department, handling magazine contacts, before he joined the Institute.

ON JANUARY 8, 1907, an unusual experiment in humanity, by women and for children, got under way in Seattle. In later years, after the Children's Orthopedic Hospital had outgrown its first home in the Seattle General Hospital where its first patients were nursed in a seven-bed ward, life insurance was destined to play an important role in its support and expansion.

Today with an endowment fund which has just passed the million dollar mark, the staff of the Orthopedic Hospital and the people of Seattle, and more particularly the children whose lives have been mended and who have been restored to society as normal, healthy active boys and girls, instead of chronic cripples—all of these can say a hearty thanks to the institution of life insurance for what it has done for the hospital. For, at this point, life insurance has provided one-third of the hospital's million dollar endowment fund.

For those who are not familiar with the connection between life insurance and the Children's Orthopedic Hospital, perhaps a bit of reminiscing might be in order. In 1917 Charles C. Thompson, a general agent of Metropolitan Life in Seattle, interested David E. Skinner of the Metropolitan Building Company board of trustees in the first group life insurance policy issued in Washington. It covered the lives of the employes of the Metropolitan Building Company, but not the lives of the board of trustees.

It was the sale of that policy by Mr. Thompson, who, 30 years later, is still alive and active in Seattle, and still has a keen interest in the affairs of Orthopedic, that began a chain of events which has benefited the Orthopedic Hospital in more ways than one. About seven years later Mr. Skinner was approached with a proposal for the Metropolitan Building Company for group insurance on the lives of the trustees. Feeling that few, if any, members of the board needed the insurance for their own families, Mr. Skinner suggested that the insurance be purchased, but that the Children's Orthopedic Hospital in which he had long been interested and of which Mrs. Skinner had been a founder, be named as beneficiary by those members of the board who felt that they did not need the protection for their families. At Mr. Thompson's suggestion Mr. Skinner himself created a memorial for his daughter, Frances Skinner Edris, whose work in behalf of the hospital had been cut short at 20 by an untimely death, following child birth, the previous year.

THE HOSPITAL had been able to grow slowly up to 1925 but it was the efforts of the insurance men of Seattle to sell the hospital to the citizens of Seattle and the state of Washington that gave it a new surge of life, and what it needed—a sizeable endowment fund on which it could rely for a steady income. At that time the income from the hospital's endowment fund did not bring in sufficient money to operate the hospital for more than a month. The cost of operating the Orthopedic Hospital in 1924 was about $100,000 a year. This cost grew to more than $350,000 in 1946.

Mr. and Mrs. Skinner discussed with a group of Seattle citizens interested in the hospital the idea of creating an endowment fund through life insurance, or rather to enlarge the inadequate endowment fund the hospital then had. These citizens formed a committee which laid the proposal before the board of trustees of the Seattle Association of Life Underwriters, inviting its agents to sponsor such a campaign. At a joint meeting the association pledged the support of its members to this unique project.

That was a happy day for Orthopedic, for within six months the drive was completely organized by Dwight Mead, Pacific Mutual Life, chairman. It called for two weeks of intensive canvassing of 10,000 prospects by some 400 members of the association. Expenses of the campaign were underwritten by Mr. Skinner, who raised $5,000 and guaranteed another $5,000 if more funds were required.

Fifty-two life insurance companies were represented in the campaign organization of the underwriters. The newspapers cooperated wholeheartedly, but by agreement with the general committee the editors withheld the story of the drive so it would achieve its fullest impact just a week before the campaign was launched.

Courtesy Orthopedic Hospital

THE Orthopedic Hospital's story was spread further throughout Washington and the Northwest by the efforts of insurance men. One day in the summer of 1945 the president of the Kiwanis Club in Elma, Washington, 100 miles from Seattle, sent in a check for $1,000. This represented a 1925 policy which was overlooked in the accounting of the life insurance benefits which had accrued to the hospital up to April 26, 1945, when a dinner was held by the Seattle life agents to celebrate the fruition of the 1925 campaign and to turn over to the hospital checks amounting to $156,000. At that time the visible results of the 1925 endowment drive by the insurance men showed at least $367,000. In addition, in 1925 the underwriters had brought in something like $16,000 in cash, donated by sympathetic citizens who wanted to support the drive but who did not feel that they could afford to maintain a life insurance endowment policy for a given number of years. Most of the policies written in 1925 were for $1,000. There were some two year endowments for $500 and others for

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Selection of Risks

underwriter is not yet able to separate the short-lived from the long-lived risks. If he could, he would gladly insure the latter at standard rates. But since he cannot, it becomes necessary to treat all in the group alike. Better selection procedures like the x-ray and electro-cardiogram enable better separation of the good from the bad and thus make it possible to offer insurance on better terms to some in the group. The agent should, therefore, regard such procedures as his allies rather than with suspicion. In time there will be other developments which may prove adaptable to life insurance selection and which may serve the purpose of cutting down still more the number of highly rated or uninsurable risks.

To me the expansion of the field of insurability is conclusive testimony that underwriting has been and will continue to be of direct financial benefit to the agent.

Our 60th Year of Service
TO POLICYHOLDERS

THE WESTERN AND SOUTHERN LIFE INSURANCE COMPANY

CINCINNATI

C. F. WILLIAMS, President

36 COMPANIES IN 1896

And How They Grew

ON January 1, 1897, some sixty United States legal reserve life insurance companies were congratulating themselves on another good insurance year. Insurance paid for during the preceding year had been $1,189,680,285 and the insurance in force had climbed to $5,946,793,149. Assets had reached the stupendous sum of $1,243,967,786.

Of these companies, 22 have lost their identity by merger or by being reinsured. But the history of 36 of the remaining companies can be traced. In 1896 these 36 companies were responsible for 91% of the business paid for, 96% of the insurance in force, and 98% of the assets. In 1945 these 36 companies entered in their books $14,516,065,292 of insurance paid for and at the end of the year had insurance in force of $123,231,915,285 and assets of $38,602,028,408—an amazing growth. The total business in force was now $155,722,778,000, and the total assets $44,797,041,217. As the number of companies increased from 60 to 460, the ratio of the 36 companies share in the totals had accordingly dropped: Insurance paid for in 1945, including revivals, increases, dividend additions, and reinsurance acquired, approximately two-thirds; insurance in force 79%; assets 86%.

Company	Insurance Paid For 1896	Insurance Paid For 1945	Insurance In Force 1896	Insurance In Force 1945	Assets 1896	Assets 1945
Aetna Life	$ 21,862,448	$ 1,696,807,980	$ 145,635,941	$ 5,519,820,472	$ 45,557,272	$ 1,152,901,151
Bankers, Neb.	1,059,201	22,501,042	2,119,107	169,731,254	202,611	47,787,361
Berkshire	7,585,873	30,109,086	43,268,435	273,430,083	7,508,053	90,605,860
Central Life, Iowa	256,000	17,714,342	256,000	213,870,059	2,972	73,205,891
Connecticut General	1,679,024	441,796,972	11,759,984	1,784,561,736	2,941,291	504,199,578
Connecticut Mutual	10,355,237	129,645,094	157,422,626	1,381,547,564	62,947,270	591,110,377
Equitable, New York	127,694,084	1,720,925,152	915,102,070	9,172,440,347	215,456,136	3,849,438,783
Equitable of Iowa	1,971,480	74,747,840	8,499,345	744,780,420	1,447,071	302,413,211
Guardian, N. Y.	9,432,457	56,233,720	71,062,143	624,345,020	22,362,443	208,146,115
Home Life, N. Y.	8,222,023	66,138,085	41,971,980	557,017,530	9,384,857	167,610,335
John Hancock	46,208,435	1,212,623,721	135,095,272	7,256,618,763	8,824,712	1,837,622,237
Life Ins. Co. of Va.	10,961,418	128,666,824	16,210,665	805,558,728	1,041,505	170,415,228
Manhattan, N. Y.	9,379,017	25,925,956	57,660,441	148,312,024	14,375,641	36,725,107
Maryland	962,741	1,043,934	6,473,232	17,021,931	1,781,831	6,466,761
Massachusetts Mutual	20,434,382	156,501,803	102,867,061	2,279,068,780	18,546,960	1,014,155,467
Metropolitan	186,135,310	2,164,176,467	487,165,855	31,261,969,817	30,628,968	7,561,997,270
Monumental	788,209	57,650,748	1,743,791	475,429,761	198,807	71,526,458
Mutual Benefit, N. J.	30,569,633	173,037,879	224,556,168	2,372,337,677	60,742,985	1,006,427,438
Mutual of New York	135,679,834	212,189,848	917,930,911	3,789,752,708	234,744,148	1,798,385,011
National of Vermont	13,611,204	78,412,196	72,474,731	740,588,698	13,542,865	326,781,146
New England	10,330,563	190,755,889	99,996,092	2,029,970,591	25,910,905	778,615,921
New York Life	123,812,865	572,703,874	826,816,648	7,979,193,102	187,176,406	3,813,504,095
Northwestern Mutual	53,375,567	340,708,865	384,167,829	4,670,796,400	92,633,604	1,887,664,905
Pacific Mutual	7,776,693	81,671,284	17,646,586	718,917,013	3,069,252	319,530,931
Penn Mutual	23,806,732	144,325,620	134,594,870	2,213,442,225	29,196,285	1,016,977,550
Phoenix Mutual	9,871,601	64,167,765	42,216,841	814,789,831	10,655,170	386,044,844
Presbyterian Ministers	1,025,165	6,287,089	4,221,041	75,031,043	738,698	40,578,398
Provident Mutual	13,016,586	77,901,999	113,054,246	1,128,760,096	31,636,776	511,659,463
Prudential	129,413,743	2,689,295,181	320,453,483	23,700,313,776	19,541,828	6,355,984,306
St. Louis Mutual	62,290	1,420,564	1,008,157	13,141,564	470,094	3,087,104
State Mutual	7,729,031	64,878,425	62,040,794	728,301,501	12,237,052	271,268,316
Travelers	14,201,045	1,465,426,732	88,243,267	6,556,367,885	17,534,556	1,512,224,247
Union Central	30,187,212	81,199,003	93,989,215	1,221,130,193	16,304,769	533,647,508
Union Mutual	7,849,767	19,863,478	38,086,849	132,196,041	7,010,697	37,391,407
United States	6,506,935	59,507,291	37,793,775	142,852,970	7,437,111	18,945,450
Western & Southern	4,290,332	188,103,544	5,724,728	1,518,507,682	210,712	296,983,178
Total	$1,088,104.137	$14,516,065,292	$5,689,239,179	$123,231,915,285	$1,214,002,313	$38,602,028,408

Seattle Hospital

amounts up to $5,000. Most of the latter were written on the lives of presidents of service clubs.

The Seattle life agents were assisted in their efforts by other agents' associations throughout the state, which perhaps partly explains why the story of Orthopedic was spread far and wide in Washington. These associations were in Spokane, Tacoma, Yakima and Bellingham. The work of these groups also gave impetus to the voluntary support of the hospital by women in those areas, or helped to interest women who became supporters in the hospital.

One of the outstanding facts about the Orthopedic which Seattle people know, but many others do not, is that it inspires much voluntary support in the service of crippled children. There are some 175 guilds and auxiliaries which contribute time and effort as well as money to a total of well over $100,000 a year. It is this aspect of the hospital's operation which enables Orthopedic to serve some 3,500 children a year. Of these, some three out of every five are treated free.

But, to get back, for a moment, to the little town of Elma and its Kiwanis Club's presentation of a welcome windfall of $1,000. That check, coming after all the others that had poured into the hospital as a result of the insurance men taking a kindly interest in crippled and suffering children, showed just how much good the insurance men did for the benefit of the hospital through their drive in 1925. Here was a little town, far from Seattle, to which had spread the idea of providing funds to help the work of a worthwhile institution.

Perhaps some day soon, when the Children's Orthopedic Hospital in Seattle undertakes a new building program, marking another milestone on its path of destiny from a seven-bed ward to an institution of national importance serving children of all races, creeds and color from all parts of the country and Alaska—perhaps some day soon, life insurance will do the wonderful job all over again.

Extended Credit on the Look In Borrower's Eye

In days gone by, E. C. Waller, president of North American Accident of Chicago, was the owner of the Rookery building. The company was organized by A. E. Forrest and started in a small office in the Rookery. This is one of the few insurance offices in Chicago 50 years ago that has remained in the same building. Mr. Waller looked after the financial end of the company and Mr. Forrest was the insurance man. Mr. Waller claimed that when he was in any doubt as to the person seeking a loan or putting a mortgage on his property, he did not regard the location or the kind of building as being important, but he loaned, as he put it, on the basis of the look in the borrower's eye. Mr. Waller claimed that he could pretty nearly tell if a borrower was honest and conscientious by his eyes. He made a loan of $25,000 to a man in Chicago, taking a mortgage on his home. The man whittled it down to some $15,000 and then Mr. Waller asked him when he intended to pay it off. The borrower appeared in due season and said that he had the money and desired to pay the loan. He said, however, that he wanted to pay only $14,000 and still owe the company $1,000 at 5% interest. He remarked that he had taken pleasure year after year in going to the head office and paying the interest. He had gotten acquainted with Mr. Forrest and other folks in the office and also Mr. Waller. He wanted the excuse, he said, to return every year as he had in the past. Therefore, he still owes $1,000.—C.M.C.

Fancy Stockings

John Shuff, Cincinnati, one of the star life insurance salesmen of his day, was associated with the Union Central Life. He gained fame by writing a large policy for James J. Hill, famous railroad man. Mr. Shuff was picturesque in dress and speech. He had a unique personality. He once said he wore fancy stockings to advertise himself. Later on he became postmaster at Cincinnati. When E. J. Wohlgemuth founded the *Ohio Underwriter* Mr. Shuff was one of his most ardent and useful friends.

We Salute

THE NATIONAL UNDERWRITER

IN THE YEARS TO COME MAY YOU BE AS SUCCESSFUL, USEFUL AND CONSTRUCTIVE AS YOU HAVE BEEN DURING YOUR FIRST HALF-CENTURY

ON THE SUBJECT OF ANNIVERSARIES

ANNIVERSARIES give us the opportunity to review our past accomplishments and at the same time to direct our thoughts to the future.

On the occasion of The Connecticut Mutual's centennial in 1946, the following observation was made. May not the same be said of the National Underwriter?

> *"The Connecticut Mutual is ageless—we know not whether it is young or old in years. It is old if it now rests on its past laurels, for its years of usefulness are limited. It is young if it faces the future with renewed determination to lead, to improve, to meet change with change."*

THE STRENGTH OF A CENTURY SAFEGUARDS YOUR FAMILY
SINCE CM 1846
OVER 100 YEARS

The CONNECTICUT MUTUAL
LIFE INSURANCE COMPANY · HARTFORD

EVOLUTION OF 50 YEARS

THE INDUSTRIAL AGENT—A PROFESSION

He has moved from back to front door and is a skillful adviser welcomed by clients

BY M. B. WILLIAMS

Martin B. Williams is executive secretary of the Industrial Insurers' Conference. He was an officer of the Davenport Insurance Corporation, a general insurance firm at Richmond. He is a graduate of Duke University, 1935, when he became a fire and casualty special agent of Travelers. At the Davenport agency he made an outstanding record as a personal producer and executive. He was president of the Richmond Junior Chamber of Commerce and of the state Junior Chamber, and in 1942 was that organization's "outstanding young man of the year."

M. B. Williams

IN THE middle 20s I was carrying newspapers in an eastern seaport town and attending high school as a vocation. My route contained 100 customers and covered about the area of an average present day debit. It was in the old section of the city, bordered on one side by small community shops and run down business developments and on the other touching the waterfront where still survived the backwash operation of what was a thriving shipbuilding industry during World War I.

It was my practice to collect on Friday afternoons and Saturday mornings. Two days were necessary to locate the 15 cents required for the week's subscription to the paper. I collected every week at the same time, and as a youngster I could not understand how a person could forget or could be so inconsiderate as to require a second or third trip. Sometimes it was even more difficult, and devious means had to be employed to obtain the monies—but as a newspaper boy, I was permitted to approach the front door with dignity. Perhaps my face was dirty or my apparel not too presentable (my mother always had trouble keeping patches in my knees), but I was expected by my customers to collect at the front door, and in most instances, did.

In the exceptional cases I did go around to the back door or search the neighborhood for the housewife. It was on one such excursion that I met my first industrial agent. He was a most congenial fellow—a man like the average citizen in any town in America. Since we shared the mutual problem of collection, we began freely to plan an attack. He had a small policy on one of the maids working in that block (in those days domestic help was obtainable). He explained, however, that three types of businessmen were prohibited around the house—the installment furniture collector, the industrial insurance agent, and the small loan collector. Knowing no other approach to the problem, my friend had decided to wait in the alley until the maid came out to dump the trash or garbage so that he could meet her and collect the insurance premium.

Today the industrial agent not only writes a policy on the maid, but on the housewife, certain children in the family, the wage earner, and often partnership or other business insurance contracts on the wage earner's firm. The transition has been remarkable, and many factors have gone into the devolpment of the present industrial man.

At the turn of the century apparently the slogan of all was "Get Business." It is not pleasant to recall or review the methods employed. It was a common practice for one company to hire the good agent of another and switch as much business as possible. Qualifications were at a minimum. Almost everyone who wanted to be an agent could qualify. With the progression of time there was a gradual improvement, but the best that could be said even as late as the 20s was that at least the sales approach was consistent with principles and practices exercised by all businesses in the boom days. There was no time left to educate the agency force, and little attention was given to raising its standards. A constant flow of business was coming in anyway.

AN ENTIRELY different picture was presented to me when I spent a week on a debit recently. The agent told me how much time he had spent preparing to take over the debit and the period of time required to travel with his predecessor or supervisor before they would let him operate on his own. He was very proud of the fact that he read and studied everything that he could get his hands on in order to keep in touch with the trends of the insurance business.

His manager pointed out that a salesman today realized that the weekly premium insurance business produced far better than a living wage for a capable and industrious agent and that the company was now able to draw from a larger source of manpower and, through careful selection, to see that the agent measured up to certain qualifications. He also explained that it was costly to train agents through their apprenticeship or unproductive period, but that companies now felt free to spend this money due to improved competitive conditions; that company education through the free interchange of ideas and information, which has been sponsored by associations such as the Industrial Insurers' Conference, has made the raiding of agency forces a thing of the past.

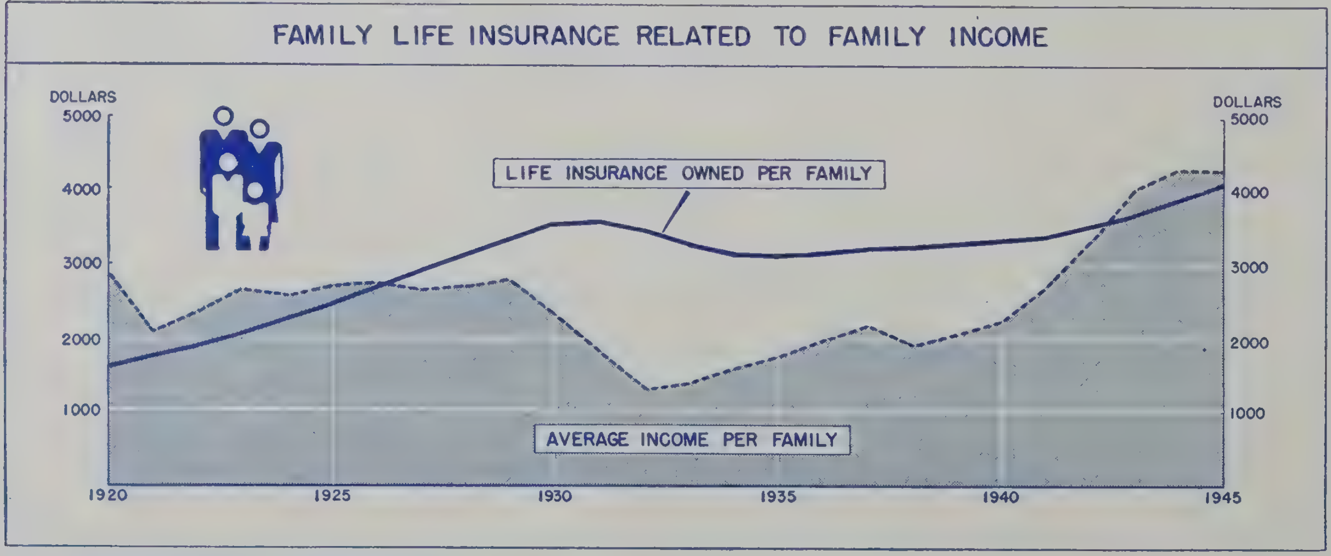
His company, like many others, has become a multi-line company selling ordinary insurance as well as industrial, personal health and accident, including group. Most of his agents were selling in all of these diverse fields—and successfully.

Through the agency supervisor I learned that employment of all agents was cleared through the home office for screening and that full investigations were made of all agents before they were hired.

Yes, training, education, and selectivity have improved the lot of the industrial agent. Then, too, his company has offered him a better contract, with greater security of employment through retirement plans, group insurance, and other features. His company is constantly offering him broader and most salable insurance contracts. The public today is aware of the fact that in many instances the only difference between the industrial and ordinary contract is the method of premium payment. In fact many companies are now writing ordinary life insurance on a monthly premium payment basis.

All this and much more has come into the establishment of the industrial agent as a competent and well-rounded insurance representative, but with all his qualifications he has today a big order to fill. He must be a salesman and a competent underwriter and be able to service many varied lines covering people in all walks of life. The careful understanding and close cooperation which he has established with his home office and district office has lightened the agent's load and has produced a winning combination.

There is a wide difference between selling an industrial policy in a worker's home and in preparing to meet a socially prominent prospect on the country club golf course. It must be admitted that the gap is too great to span for most individuals. It should be remembered, though, that the working man or small business man today may be the head of a big business tomorrow. The wide-awake industrial agent is growing with his customers and through their



FAMILY LIFE INSURANCE RELATED TO FAMILY INCOME

Institute of Life Insurance "Fact Book"

Vision Beyond the Horizon

Southwestern Life Insurance Company pays tribute to those Pioneers of business whose vision beyond the horizon helped build America. Southwestern Life congratulates the National Underwriter for fifty years of accurate reporting on the activities of the pioneers and their successors in the field of Life Underwriting. May vision beyond the horizon, as important today as in 1897, continue to characterize this publication.

Southwestern Life
Insurance Company

C. F. O'DONNELL, PRESIDENT

HOME OFFICE • DALLAS

friendship is prospering with them.

No man can be everything to everyone. There will continue to be needed specialists in all lines, but there is a growing feeling in many quarters that in all lines of business today we are going in too much for specialization. An understanding of the entire picture and an appreciation of the total need, and then a fitting of the insurance program to meet those needs is the trend of today's and tomorrow's selling.

VERY little happens on the debit that skips the attention of the industrial agent. He is considered a friend of the family. He has the confidence of his customers. Week after week he hears their problems, listens to their woes, and enjoys with them their successes. They furnish him leads to other people and recommend their friends to him as customers. They consult him on family problems and financial worries. He, more than any other agency man in the insurance business, has his fingers on the pulse of community life. He is the only insurance man who day by day takes the services of the life insurance companies to the front doors of the homes in this country. Is there any wonder, then, that he is reaching prospects even in other fields, that the regular or purely ordinary insurance agent has overlooked?

The industrial agent will always have to call for assistance in specialized lines such as group, partnership, or large business contracts; but once the prospect is discovered, his company is well on the way towards meeting the public need and reaching the goal towards which the industry is always striving.

The industrial agent has a bright future. With devotion and belief in a cause, plus an industry of purpose, there is no limit to his possibilities of service. He is a man who knows his wares and is constantly proving in numerous ways that his is more than a job—it is a profession.

50 Years of the N.A.L.U.: The Past 25—the Next 25

BY P. B. HOBBS

TO go back 50 years to 1896, the National Association of Life Underwriters had a membership of 1,337 and 29 local associations. Efforts were initiated to combat rebating and twisting. An agreement was offered by the N.A.L.U. to this end. To this agreement 25 companies became signatory, and a fund of $10,000 a year was provided for its implementation. In this year an effort was also made to combat twisting by the publication for the public of a booklet illustrating the hazards involved. These efforts were continued, and by the year 1920 certainly much had been accomplished.

In 1920 we had in force in the United States $42 billions of life insurance on the lives of 37 million policyholders. At the end of 1945 there was $154 billion 600 million of life insurance in force on the lives of 71 million policyholders. These figures do not include U.S. Government Life Insurance or National Service Life Insurance.

In 1920, the National Association of Life Underwriters had 17,243 members and 139 local associations. Today it has 48,600 members in 458 local associations. In 1920 there was only one state association as compared with 41 state associations today.

The National Association of Life Underwriters was created by, of and for the people who sell and service life insurance. That it has grown as a service institution is evidenced by the new activities undertaken by it in behalf of its members and the insuring public during the past quarter century. For example, as compared with 18 national committees in 1920, it has 29 such committees today. Among the new committee activities introduced during this last quarter century, we find the following:

Agency Practices—(the new Statement of Guiding Principles in Agency Management).

Agents' Compensation.

Conservation (Quality Award).

Business Standards (Our Code of Ethics).

Functions and Activities (A committee to examine the functions and activities and propose changes; in short, a planning committee charged with consideration of present plans and long range plans).

General Agents and Managers Section.

Manpower (the 112-page report submitted to War Manpower Commission).

Life Insurance Information (Distribution: 100,000 "Life Insurance Dollars in Action" and thousands of "Handbook of Life Insurance").

Veterans' Affairs (National Service Life Insurance and other matters).

Underwriter Education and Training (The Purdue Plan of campus and off the campus training as well as assistance to local associations through training program as suggested by Clifford H. Orr).

Social Security (Our latest definitive statement on social security for agents has been widely disseminated by companies).

State and Regional Associations (State Conferences).

State Law and Legislation (the new Model Qualification and License Bill).

Women Underwriters Section.

Committee of Agents.

During this 25-year period, the National association has founded or has been instrumental in the creation of the following:

American College of Life Underwriters.

Million Dollar Round Table.

Women's Quarter Million Dollar Round Table.

Institute of Life Insurance.

Tht N.A.L.U. undertakes to serve its members not alone by its own activities but also through participation in joint undertakings with company organizations. For instance, in the past three years the following efforts of untold value to us have gotten under way through cooperative committees of the American Life Convention, the Life Insurance Association of America, and National Association of Life Underwriters:

Manpower—112 page brief to War Manpower Commission.

Wage Stabilization.

Pension Trusts — the joint committees published a valuable booklet on regulations.

Social Security—57 page statement in behalf of the business of life insurance.

THE sale of life insurance on the basis of needs had its inception about 25 years ago. Likewise, college courses in life insurance date from about the same period. It may safely be said that this last quarter century has seen the birth of life insurance education, public relations activities by life insurance, the pension trust, the family income policy, the package sale, estate planning and social security.

Looking forward to the next 25 years, the National Association of Life Underwriters foresees better selection, better training, better supervision, better methods of eliminating the unfit.

We foresee advances in the institutional program of education and training. The cooperation between all groups serving the American insuring public will continue with the thought of aiding each other as problems present themselves. Education of the insuring public with regard to the benefits and the necessity of life insurance protection and annuities will continue.

There will be increased effort on the part of all the legislative councils, local, state and national, in behalf of the insuring public. New types of

P. B. Hobbs

After serving his apprenticeship as agent and district manager, Philip B. Hobbs 20 years ago became agency manager of Equitable Society in Chicago. Since that time his organization has produced over $100,000,000 of business. His association record has been equally outstanding. In the Chicago association he has been chairman of membership, sales congress, legislation, life insurance week, cooperation with attorneys, and publicity committees, and has headed the Chicago Life Insurance & Trust Council. For nine consecutive years he was a director and national committeeman of the Chicago association.

He has been vice-president and president of the Illinois association and chairman of its committee on law and legislation. He has been a director of the Illinois Insurance Federation and is a member of the three-man legislative committee which was largely responsible for the passage of the Illinois Insurance Code in 1937.

In the National association, he has been chairman of the nominating, credentials, general agents' and managers' and state law and legislation committees, having served on the latter for six years. He also was chairman of the manpower committee, the committee serving jointly with one of the American Life Convention and the Life Presidents' Association. At Cincinnati in 1941 he was named National association trustee and reelected in 1943. In 1944 he was elected secretary of the National association, in 1945 vice-president, and in 1946, president.

PROBABLY THE FIRST

Disability Clause Appeared in 1889 Policy

Though disability benefits are generally believed to have appeared for the first time midway in the "gay nineties," research reveals that what was probably the nation's first such clause actually was used in 1889.

It is included in a contract issued January 2 of that year by Security Mutual Life, Binghamton, New York, which at that time was known as Security Mutual Life Association. The organization was then in its third year of business.

"If at any time after this policy of membership has been in full force and effect for the term of three years," the clause stated, "the above-named member shall become totally and permanently disabled from attending to any and all kinds of business, upon satisfactory proofs to the Association of such total and permanent disability the said member shall be entitled to receive from said Association, from and after the date of filing such proof, one half the amount, per month, which is hereinbefore made payable to the beneficiary in case of said member's death."

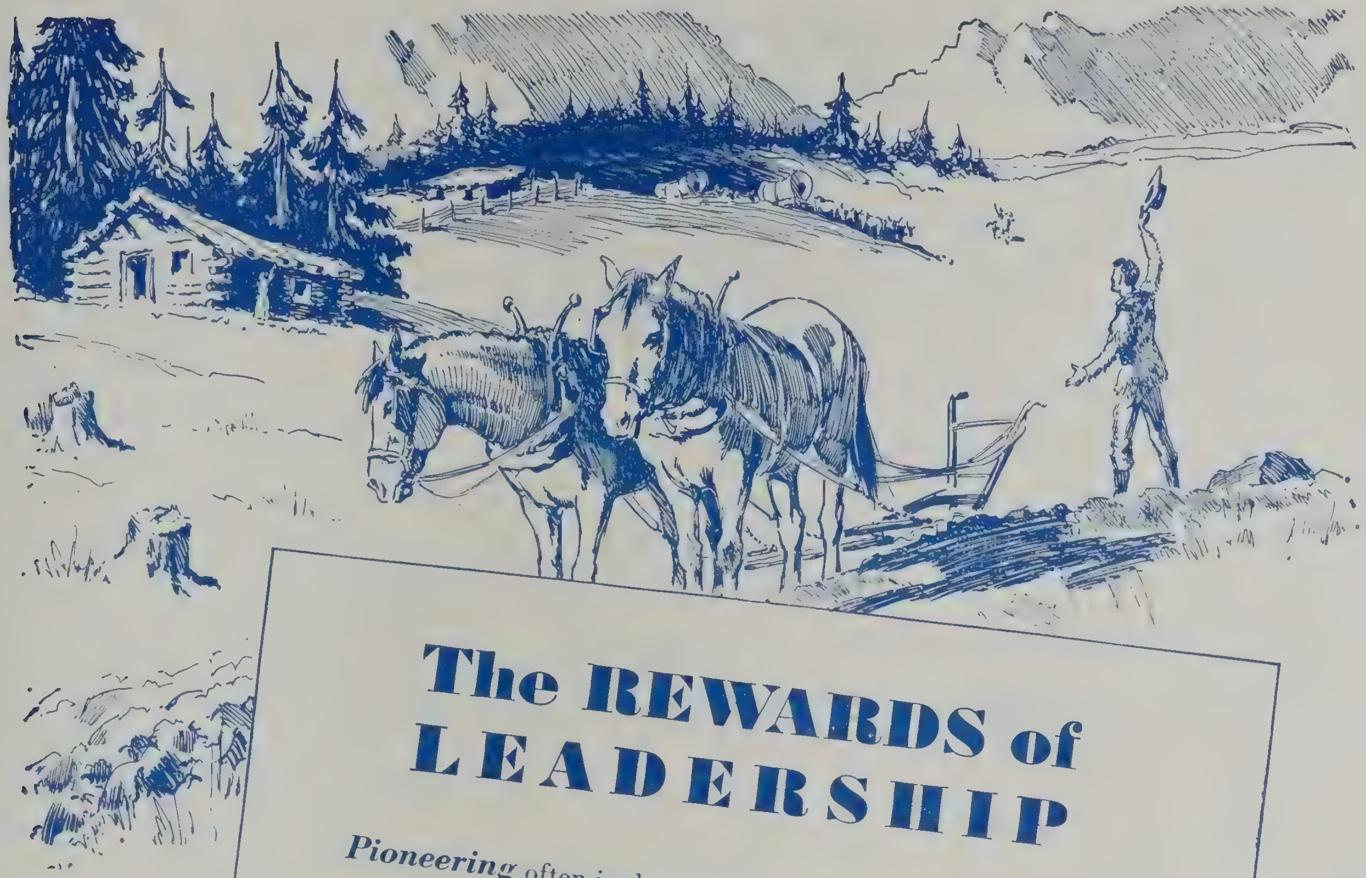
Contained in what was termed an annuity — the contract actually was one of life insurance protection, but called for payments at death to be made in monthly installments of fixed amount for a definite number of months—the clause provided that total disability payments to be insured could not exceed one-half the maximum amount named in the policy. It was also provided that payments made under the disability clause would be charged against the policy. There was no waiver of premium.

One of the early claims recorded was on a policy issued to a married woman, resident of Binghamton.

Less than a year after the first issue, the clause was liberalized. Not only was the requirement for membership prior to disability claim reduced to one year, but the disability was described as total and continuous rather than total and permanent.

Payment under this revised clause was restricted to "the actual time said member is totally and continuously disabled and prevented from attending to any and all kinds of business." The clause went on to state, "No claim will be allowed, and none shall be due hereunder for total disability, unless the actual time of such total disability shall exceed one month." In other respects the clause was similar to the initial issue.

In February of 1891 the provision was still further liberalized. Under this clause, if the total and continuous disability did not commence until after the policy had been 15 years in force, "the member shall receive the same amount per month that the beneficiary would be entitled to receive in case of the member's death," not just half.



The REWARDS of LEADERSHIP

Pioneering often is the privilege of the young. Yet . . . there is one company which hasn't stiffened with age. Curiously enough, it's the *oldest* Capital Stock Insurance organization in America. Yet it has the get-up-and-go of a teen-ager, backed by the wisdom of 153 years' experience.

The rewards of such leadership are many. Agents find it pays to represent one of the Insurance Company of North America Companies—in increased business, because they can be first with the latest in the public interest, as well as in internal satisfaction of being a part of one of America's leading Fire and Casualty insurance groups.

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INDEMNITY INSURANCE COMPANY OF NORTH AMERICA
PHILADELPHIA FIRE AND MARINE INSURANCE COMPANY

KEEP AMERICA BUSY—GIVE A RETURNED VETERAN A JOB!

Behind What's Happening

Character of business has changed for the agent; necessity of reducing costs the chief problem today

BY WADE FETZER, JR.

PARTICIPATING in anything as important as the 50th anniversary of a great business paper like THE NATIONAL UNDERWRITER is a privilege which I deeply appreciate. Since my own close connection with any of the national affairs in our business has covered only approximately the last ten years of that half century, I must leave to others who were present the fuller historical background and more detailed report of that earlier period. However, the end of one half century suggests the beginning of another in which those of my own generation are as deeply interested as I, so any comment I may make about the past will be for the purpose of trying to enable us to see the present and the near future more clearly.

I am one of those who believe that every result has been preceded by a cause and is the reflection of it. It is helpful if we look for some of those causes. Invariably they are to be found in the economics of the business and of the times. When examined, they are found to be irresistible and absolutely determining, being bigger than any people, companies, regulatory bodies, associations, or anything else. After all, insurance as we know it today is really only approximately 100 years old. True, there were earlier experiments, and some of our companies go back farther than that, but they were not great by comparison to today, and the second half of the last century saw the formation of perhaps most of our most conspicuous companies of today. The business was essentially local until the establishment of the agency system made it possible for single corporations to operate on a nation-wide basis successfully. The idea of private ownership of property was already thousands of years old when our business came into being with a tremendous backlog of demand ready made for it. At about the same time there was getting under way the greatest period of development, the greatest creation of new value that the world has ever seen. With but minor interruptions this group of new wealth continued until about 1930. Meanwhile, transportation improvements had permitted the growth of nation-wide and world-wide distribution which in turn created our industrial system, factories and cities. These new developments brought new social responsibilities which, in turn, created our entire liability business.

Thus, we see that throughout most of the history of this business, demand so far exceeded supply that existing companies were almost guaranteed their growth and new companies could be formed and prosper from their inception. A company's sales problem was purely that of having the maximum possible number of points of contact through which this existing demand could flow to it; for it, in turn, to pick and choose that part of the business which it wanted. It was a seller's market such as the world has never seen and will probably not see again.

It is appropriate to direct our attention at this point to what was going on in other businesses during the latter part of the last century and just preceding the formation of our National Association of Insurance Agents. To say the least, it was an exciting period when the doctrine of survival of the fittest was at its greatest height; the day when labor was a commodity to be bought and sold, something to be fought with and kept down rather than being recognized as the major market for the end product of most of our industry as it is regarded today. It was the day when business followed the old political adage "If you can't lick him, join him", and we had the era of trusts, monopolies, cut-throat competition, corners on commodity and security markets, and in general a pretty violent form of economy. This was typical of the times and there was doubtless no business which did not indulge in these short-sighted practices.

It was probably just consistent with these times that fire insurance companies entered into the rate wars and competitive practices which made necessary the early battles by agents to establish a value in their expirations. The public, meanwhile, was turning for protection to certain legislations including the growth of supervision in the states, along with the Clayton and Sherman Acts, the Federal Trade Commission Act, and other protective devices. Within the insurance business, agents found it best to organize together to carry out their battle with the insurance companies, but our fight was only typical of the kind of fights that were common between the different parts of given businesses typical of the times. It was a time when everybody literally had to be on the defensive, and that defensive requirement undoubtedly set the pattern for the militant policy of defense against the big and powerful for which the agents' association has been conspicuous during most of its life. The extreme seller's market was the cause and these defensive measures and attitudes the natural result.

ALONG about 1925 or 1926 something began to happen without its being fully detected until late 1929. The rate of new growth in the country was slowing down. Office buildings, apartments, hotels, factories, homes, began to find themselves looking for tenants or buyers. With that condition other people stopped building and gradually at first and then with a terrible crash physical values and business activity tumbled to the levels of many years before. Meanwhile, the several decades of growth of insurance companies had built up a risk-taking capacity hundreds of percent greater than we had had through the early part of this century. The continuing growth of the country was no longer there to carry automatically the continuing growth of insurance companies or people in insurance. The bare fact is that during a few weeks' period in late 1929 we and the business went through an economic change of life, and we have been actually a different business with entirely different problems since that time, with a certain allowance made for the artificial stimulation of the early war period. Just as is true of yesterday, the old business is gone, and there is no visible prospect of it returning. We are in a different business today, and it is going to be permanently different from that prior to 1929.

As a business we have been slow to recognize this fundamental change which has taken place, although it is gratifying to note many evidences of that recognition during the last two or three years. To a regrettable extent we have continued to fight the battles of yesterday when we have a new set of battles today that we should be giving our attention to. We have carried forward old animosities, jealousies and prejudices. All too many of us have been trying to bring back the good old days when we should by now recognize that those good old days are gone, and they are

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The first filling station in Cleveland. Previously gasoline had been delivered from house to house—Courtesy Home Insurance Company's "News From Home."

50 Years of N.A.L.U.

policies will be designed as social and economic concepts change and conditions require their issuance.

Greater emphasis will be placed upon research by the companies and by company organizations for the benefit of the field men and the public which they serve. Volume will most likely cease to be the chief standard by which performance of a life underwriter is judged. Rather the character and persistency of his business will be the fundamental consideration in viewing his success. The C.L.U. designation will be wider spread and even more highly regarded.

Life insurance companies may become the leading health research organizations in the field of private business; take, for example their initiation of heart and cancer research within the last two years.

Finally, there is a distinct probability that the success in rehabilitating blighted areas in the large urban centers of America with the construction of housing will be one of the chief outlets for life insurance funds and one of our great contributions to American life.

The association recognizes the great part played by the insurance press in aiding us to get before all people in the business these aspirations, and it is unquestionably true that in this regard for the last 50 years THE NATIONAL UNDERWRITER has played a leading role.

THE LONDON & LANCASHIRE GROUP

THE LONDON & LANCASHIRE GROUP CONGRATULATES THE NATIONAL UNDERWRITER MAGAZINE ON ITS 50TH YEAR OF PUBLICATION

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not coming back. It is time for us to take inventory of the problems of this new business and devote our attention to solving those problems.

It is gratifying to note that the first major evidence of recognition of this change came in the adoption by the National Association of Insurance Agents of its public relations program of which its educational program was merely a first step. This recognized that whatever rights we may have are not contained in or based upon agency contract granted by the company, but rather are granted by the public. In these programs we recognize that those rights will be valued at exactly the level of the public's idea of our value to them. Very properly we took an audit of that value, discovered that it was not high enough, established the educational program to bring it up to a higher level, and the public relations program to continue that elevation and to better inform the public. These activities in the public interest must be continued as the paramount objective of all association activities from this point on.

Wade Fetzer, Jr.

Wade Fetzer, Jr., a graduate of Northwestern University in 1925, entered insurance that September as salesman in the life division of W. A. Alexander & Company, Chicago. He began supervisory work in the life department of the agency in 1929, becoming office manager in 1934. Subsequently he was made assistant to the president, vice-president, and president on January 1, 1944. He is a Chartered Life Underwriter, 1929; a member of the executive committee of the National Association of Insurance Agents, 1939-41; chairman of the public relations committee of the N.A.I.A. in the first two years of the public relations program. He is also a trustee of the American Institute for Property & Liability Underwriters, and a fellow of the Insurance Institute. Currently he is chairman of the Red Cross campaign in Chicago.

IN the past we have carried on a number of internal civil wars. Agents have fought companies, big agents and smaller agents have fought each other as have agents and brokers. Restrictive agreements, city, county or state barriers and every other obstacle have been set up to protect one from another without concern over our customers. The time has come for us to give full unqualified and activated recognition to the absolute truth that "the sum total of the interests we have in common greatly exceeds in importance the sum total of our differences". Companies and agents, big agents and little agents, and brokers can and must work together with a degree of harmony that recognizes they are not enemies of one another, but are merely different parts of an over all system specialized to parallel the differing needs of different parts of the public.

The big agent and broker must recognize that there are competent local agents who in some instances can perform services at the local level for his customers that they cannot perform, and that he should be compensated fully for the value of service performed. The small agents must recognize that in a great many cases not the local agent but self insurance is the competitor of that big office for a nation-wide account, and that the big producer is benefiting the small producer by keeping that big account in the insured market where it, too, bears its proper share of necessary overhead expense and taxes. Companies must recognize that the producers are in closer touch with the feelings and needs of the public than they are. Producers must recognize that their company officers are responsible to stockholders under the stock system which we support, that they carry tremendous responsibilities, and that they, too, have both their progressive and their ultra-conservative among their ranks, all of whom are striving to go ahead together.

All parts must recognize that luxuries and extravagances which are permissible in a seller's market are suicidal in a buyer's market. The paper work in our business is staggering. Yet it is a fact that probably 99% of this paper work is never even read. To a regrettable extent agency service or its cost has in the past been made up of too large an extent of what is in fact just stenographic service, writing up all this paper. Other businesses have faced and solved bigger cost problems than ours. The public in the end is paying for this cost, and yet the public is not getting a great deal for it.

THIS brings us to the next great challenge facing the whole business, companies and producers. Again because we have lived in a seller's market where costs have not been too important, we are miles behind other businesses in our application of cost accounting. A recent article in the *Journal of Marketing* by the cost expert of one of the nation's great merchandising companies contained two sentences of great importance to us. These sentences read, "In many cases indiscriminate use of averages constitutes a major statistical crime," and "In analyzing marketing costs, there is need for wider use of absolute costs and much more cautious use of percentages". Had these sentences been written about the insurance business they could not have been more appropriate. Our pricing structure uses percentages in spite of the fact that many of our costs are absolute rather than percentage. It costs no more to perform the accounting on a $1,000 premium than on a $5 premium. It takes the policy writer no longer to write a policy for a $500 premium than for a $10 premium. We have change of address or change of car endorsements with no premium, but they cost money. Nowhere is there greater need for true research than in this field of cost accounting. The decision of the N.A.I.A., acting on the recommendation of its metropolitan agents' committee, to employ actuarial service which certainly must include cost accounting service, represents another constructive movement.

These are just a few examples of current developments in this particular time. Our organization came into being during a period when it was customary for everybody to be fighting everybody else. The economy of the country and of the insurance business was at that time prosperous enough to permit that luxury of all of those fights. That is no longer true today. Those fights cost everybody money. The public acting in a buyer's market will not pay the money necessary to support those fights. They will turn to other ways of carrying their risk or they will carry it themselves. Without attempting to belittle the great leaders of the association in its early years, it was not those leaders who created the militant program of those years, but the economic conditions of the time. Again, without belittling more recent leadership, it was not their brilliance that created the education program, the public relations program, the all industry committee, the metropolitan agents' committee, the joint employment of the same counsel by the National Association of Casualty & Surety Agents and National Association of Insurance Brokers, the determination to employ actuarial assistance by the N.A.I.A., employment of public relations counsel by the National Board and by the Association of Casualty & Surety Executives. All of these things are merely adjustments on the part of the business to the times in which we find ourselves today. The forces operating in the business world today will continue to force us closer and closer together, to work more in harmony with one another, to develop joint solutions for our problems, and to check every undertaking or plan on the basis of its reception and appraisal by the public.

The first 50 years of the great NATIONAL UNDERWRITER publication has covered and assisted the militant, battling, fighting period during the time when that was the best thing for the insurance business. The last few of this 50 years it has covered and assisted in the transition. As it enters this second half century it is reasonable to look forward to a cycle which will be comparatively harmonious and constructive. The problems lying ahead are just as big if not bigger than the problems which we have already been through. There is intelligence and leadership ability in all of the segments of the business thoroughly adequate to the problems of the times. Irrespective of the wishes of anybody, but rather caused by irresistible economic forces, we will see a great many changes in the business, many of which will seem very revolutionary. Nevertheless, the desire for security has been and will continue to be one of the strongest desires of all mankind. We are in the business of providing that security. In the new harmony which it is reasonable to anticipate resulting from these forces and with the ability which this business contains, drawn together to function as an aggregate, we should be able to meet that human need in a manner which should improve the opportunity for all of those with a genuine desire and ability to serve that part of public interest. We look forward to observing THE NATIONAL UNDERWRITER as it goes into its second half century to record that continuing improvement of this great business.

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Keeping Account, from 1897 to 1947

Records of the sales, expirations and financial transactions of agencies evolve with the years

BY A. J. WOHLGEMUTH

IF you had stepped into an insurance agency 50 years ago, in 1897, you would probably have seen a high bookkeeper's desk, with the bookkeeper standing, or seated on a high stool. On a shelf above the desk, or in a case nearby, you would almost certainly have seen a row of huge and badly battered registers—policy registers, one for each company represented in the agency.

If it was a fair-sized agency, there was a case of fire maps. Agents in those days did much more of the underwriting than they do now. Every policy written in the office, at least in the congested district, but frequently residential as well, was mapped. Capacity of companies was quite limited. Companies were much smaller, and the extensive reinsurance arrangements which are now general had not been developed. The agent had strict and comparatively small limits on every block. A line of any size had to be split up among quite a number of companies, and it was entirely up to the agent to make this distribution.

There was, of course, an expiration register—probably a bound book, but, quite frequently, a card system of 3x5 inch cards. And, in some form, you would find a customers' accounts receivable ledger, and a cash book of some kind.

The sign of a progressive agency was a Rough Notes policy and supply cabinet. Those were the days of "bed sheet" size policies, and the old style policy register. The Rough Notes cabinet had drawers 18x24 inches in size, so that policies could be filed flat, and spaces for holding the bulky policy registers firmly. The leading dry-goods store was likely to be the choice risk of the town because, if you had a pull with the owner, you might get hold of an old Clark O-N-T spool cabinet. It was designed for the merchandising of thread, but its big, shallow drawers were ideal for the storage of policies.

Writing a policy then was a job for an expert. There were no uniform forms. Each form had to be worded especially for the risk, or selected and copied from the hundreds in "Hine's Book of Forms" or some similar book, or from some other policy. The information that had to be filled in was pretty well scattered through the policy and, all in all, it was nothing to be turned over to an inexperienced clerk.

Until the turn of the century, the policy register was the universal method for recording policies in the agency. Policy information was entered on the left hand page; on the right were pasted in copies of the forms attached to the policy.

The best of these registers were splendid examples of the finest type of bookbinding,—strongly built, with sheets of extra quality paper, and with stubs inserted between pages to compensate for the thickness of the pasted in forms. But the stubs were never thick enough, and by the time the register was filled, it was bulging to twice its original size.

THE year 1947, besides marking the golden anniversary of THE NATIONAL UNDERWRITER, might well be considered the golden anniversary of modern insurance agency record-keeping. It was in the latter part of the nineties that Louis H. Martin, son of the founder of the Rough Notes Company, was developing the Rough Notes loose leaf system for local agencies.

The system was made up of loose leaf sheets in the standard size of 8½x14 inches, for the company accounts current, the expiration record, assured's line record, customers' ledger accounts, and brokerage record. With some modifications and improvements, these sheets, with the exception of the brokerage record, are still popular, and in quite general use.

Card systems for the expiration record, the assured's line record, and, to some extent, for customer's ledger accounts, were also in quite general use, and have continued to be popular, with very little change.

But a very large proportion of agency business today is being handled under a system which apparently bears little resemblance to the office records of 50 years ago; yet the germs of most of the ideas used were in the loose-leaf system developed by Louis Martin.

For example, the daily report was introduced by the New York Underwriters quite a number of years before 1897, and was in general use by all companies. The daily was filled in by hand, and sent to the company for each policy written just as is done now.

Louis Martin apparently originated the idea of making the daily in duplicate, the copy to be kept by the agency as its policy record, and taking the place of the policy register. He designed a standardized daily report, with spaces for entering all underwriting information about the policy. The agency's copy was bound in a loose leaf binder. Nowadays, of course, they are filed in vertical filing cabinets.

The loose leaf account current sheet which he designed followed closely in form the standard account current furnished by the companies. Policies and cancellations were entered on the sheet as written; in combination with the duplicate account current, the agency had a complete record of every policy, in compact, easily accessible form. At the end of the month, it was only necessary to make a copy of the entries on the company's account current and send it in.

The standardized duplicate daily report was only moderately popular, and it was not until the typewriter style policy was introduced, with all written entries in the policy put on the first page, and with daily and duplicate inserted in the policy, that the plan came into general use. With the new policy forms, when the policy is written, carbon paper makes up the daily and the duplicate copy, with practically no additional work. Today, the old style policy register has almost disappeared.

THE next improvement did not come until 20 years later, when duplicate account current forms were designed and put on the market. Again carbon paper was used to do two jobs at one writing. When the policy was entered, the entry was made on the company copy and the agency copy at the same time. At the end of the month, it was only necessary to tear off the company copy and send it in; the agency copy was punched for loose leaf binding, and became the agency's policy register.

This is the plan that is in general use today. Special forms have been designed to take care of mutual and farm fire business, and for the casualty lines. Similar forms are used for the recording of brokerage business.

The loose leaf expiration record was essentially the same as the bound expiration register, but with the flexibility and convenience of loose-leaf. It is still popular, running neck-and-neck with 3x5 cards for the expiration record.

The assured's line record and the customer's ledger account contain much the same information; that is, the line record shows each policy sold; in the ledger, the customer is charged with each policy. The addition of debit and credit columns to the line record makes one entry do two jobs. It requires only half as much work, and makes up a much more convenient and usable record, since the one sheet tells the whole story.

A combined assured's line and ledger sheet was brought out in 1918. It became very popular at once, and is still used and liked in many thousands of agencies.

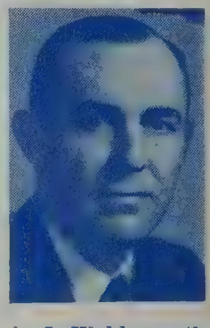
The big development, however, in what might be called the customer's records—that is, the customers' ledger, the line record and the expiration record—was the introduction of the triplicate invoice plan.

ALONG about 1918, we began to receive letters from customers telling us how much time they were saving by getting blank sheets of paper from their printers, cut to the same size as their invoices. Carbon copies of the invoice were then filed according to date of expiration; some of them said they were using a second carbon as a customer's ledger sheet.

The plan was novel and interesting. As outlined by these agents, it had lots of bugs in it as a satisfactory office system, but it obviously had possibilities.

First, the invoice was designed to give all information about the policy the agency would need for quick reference, and in a size to fit standard vertical filing cabinets. Then the expiration and ledger-line copies were carefully designed to do the jobs they were expected to do. The three copies were joined, to smooth out and speed up inserting of carbons and handling in the typewriter.

For customers' accounts receivable, a special loose leaf binder was found which was ideal for the purpose. Vertical filing was decided



A. J. Wohlgemuth

Albert J. Wohlgemuth, president and for the past 30 years general manager of the Rough Notes Company of Indianapolis, started in insurance publishing at the age of 15 as office boy in the Cincinnati office of THE NATIONAL UNDERWRITER (then The Western Underwriter), of which his brother, the late E. Jay Wohlgemuth, was founder and president. He became manager of the Cincinnati office in 1913.

In 1917, he went to Indianapolis as secretary and general manager of Rough Notes, succeeding Dr. Henry C. Martin, founder of the company. At that time, the business consisted of "Rough Notes," a weekly with about 1,000 circulation, the supply department, and a small printing plant. In addition to these items, the company now publishes "The Insurance Salesman," Insurance Pictorial, Conservation Pictorial, The Estate-O-Graph, and a complete line of sales promotion material for all branches of the business.

CONGRATULATIONS TO

Charles M. Cartwright

UPON HIS COMPLETION OF

Fifty Years

AS

EDITOR

OF THE

National Underwriter

WE join happily with the insurance industry in paying sincere tribute to this outstanding insurance journalist. His contribution to our business cannot be measured by any ordinary yardstick, nor can mere words express the admiration, respect, and affection which he has engendered in the minds and hearts of those who have known him through these years.

He might be called the "grand old man" of insurance newspaperdom except that "old" does not fit his youthful spirit which belies his actual years. C. M. Cartwright has retained the courage and optimism of youth, and has carried through this half century as editor of the National Underwriter with the lively humor, the sincere friendliness, and the sound judgment which characterize him.

He has our best wishes for many more years of happy life.

WASHINGTON NATIONAL INSURANCE COMPANY

CHICAGO

EXECUTIVE OFFICES: EVANSTON, ILLINOIS

GEORGE R. KENDALL, *President*

upon as best for the expiration and line records, and special guides and folders worked out.

The invoice goes to the customer; the expiration copy to the expiration file. The ledger-line copy is filed in the accounts receivable binder; when the account is paid, the sheet is removed from the binder and filed in the assured's line folder, which gives a complete record of all policies carried by the assured with the agency.

When the "4-in-1 record-billing system" was announced, early in the 20s, it received a warm welcome, and within a few years was outselling all of the older forms for the purpose, by a big margin.

A demand developed for statement forms—fourth and fifth copies of the invoice, to be made out at the same time, and filed for collection follow-up. These are usually labelled "30-day notice," "60-day notice" or some other reminder that the account is past-due. These are filed in a tickler, and mailed to the customer on the dates set for follow-up. Since collections are likely to be one of the neglected phases of agency work, this simple plan has undoubtedly collected a great deal of money which would otherwise have gone on from "past due" to "charged off—bad debt." Credit memos were added, and various minor improvements made in the forms, but the plan has continued essentially the same as when originally announced. Today, it is probably the most widely used plan in the American agency system.

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OHIO FARMERS INSURANCE CO
INSURANCE REAL ESTATE LOANS

The above picture shows the McGervey & LeSourd Agency at Xenia, Ohio, now operating as LeSourd & Company. S. Milton McKay, the senior partner in the agency, is now a director of Ohio Farmers Companies and R. H. LeSourd is active as the agency's manager. The heavy man in the photograph is Silas Bennett LeSourd, who was known far and wide in Ohio Farmers circles as "Ben" LeSourd.

—Courtesy Ohio Farmers

IN spite of the fact that even the small insurance agency handles thousands of dollars of other people's money in a fiduciary capacity, the accounting end of the insurance agency's records has been most seriously neglected. Few agencies know how much money is owed to them by their customers, or how much they owe to their companies; how much their actual profits are from month to month, or how much would be left to them if the business had to be liquidated. It was undoubtedly this lack of financial information which was the prime cause of so many agencies going broke during the depression.

The first attempt to give the insurance agency the benefit of modern double entry bookkeeping methods, so far as we know, was the Rough Notes "daily balance sheet," designed in 1910. This was the standard "cash journal," now used generally in all types of business, but specially designed for the insurance agency.

The most interesting feature of the daily balance sheet was a separate debit-credit column for each insurance company represented. Since agencies not infrequently represent 20, 30 or even 40 companies, this made necessary the use of short sheets to provide additional columns.

Every business transaction of the agency was entered in the daily balance sheet, with proper columns for the entry of the debits and credits created by each transaction. As a result, the column totals at the end of any period gave a brief but accurate statement of assets and liability, income and expenses.

Policy transactions were also entered day by day. When a policy was sold, there was a charge to accounts receivable, a credit to commissions, and a credit to the insurance company for the net premium; in case of a cancellation and return premium, similar entries were made, but with debits and credits reversed.

Since one pair of columns was provided for each company, the sheet gave a complete transcript of the business with each company in the agency. It was beautiful in theory, but cumbersome in practice. Sheets with five company columns were 17 inches wide; with ten columns, 24 inches wide. With more than ten companies in the agency, one or more additional short sheets were needed.

As a result, from a yard to two yards of writing space across the sheet was used up for each entry. With only 34 entries possible on a page, this used up a lot of paper, and made a very bulky record.

The individual company columns of course did not provide nearly as satisfactory a record of the dealings with each company as did the monthly account current. And everything that could be accomplished by separate company columns could be done by posting merely the company monthly totals to the cash journal.

THE Rough Notes insurance cash journal, issued in 1919, saved all the valuable features of the daily balance sheet, but eliminated the need for separate columns for each company. The size of the sheet was reduced to 11x14 inches, and followed exactly standard practice for cash journal sheets. At the end of each month, the totals from each company account current are posted to the cash journal in appropriate columns (for net premiums, net commissions, authorized deductions, net balance due company, plus a column for remittances to companies). The individual accounts current give the details in the most convenient form possible; the cash journal gives the totals.

Every business transaction of the agency (including these totals) is entered in the cash journal, and the items "sorted up" in the columns provided. At the end of the month, the column totals almost automatically make up a statement of income, expense and profit for the month, and a new financial statement in the agency.

Because accurate accounting is so important to the financial health of the agency, and because agency clerks are not usually experienced bookkeepers, more time and effort has been spent in simplifying this accounting unit of the Rough Notes 1-2-3-4 system, as it is now called, than any other. In its present simplified form, it can be used by any clerk who can maintain the other records of the agency accurately and efficiently.

The insurance agent is fortunate in that practically standard practice prevails in agencies throughout the country. A system or a form developed for use in Maine can be used without change in Oregon or Florida. This has made it worth-while to give intensive study to the work done in an agency. When a good system is developed, it can be sold without change in all states. This has meant large production and very low costs.

Practically all of the records and forms developed in the last 50 years are still in use in some agencies—in card index, loose leaf and bound registers. But the three units whose development has been described make up the only complete system, and one which has been generally accepted as the standard system for insurance agencies.

When a policy is written, six different entries or records must be made of it by the agent. In this system, only two entries are necessary—in the policy register-account current, and typing the invoice. Similar savings in time and work are made in all other parts of the agency work.

How general the acceptance of the system has been is shown by the fact that in 1946 some 9,000,000 invoices were sold by the Rough Notes Company, with corresponding quantities of the supplementary forms, such as credit memos, statements, etc. Figuring six policies to each five invoices (two or more policies having the same expiration are billed on the same invoice), and an average premium of $25, last year $270,000,000 of premiums were billed on these invoices.

Similarly, over 1,000,000 account current forms were sold. If we can figure 20 policies per account current (purely a guesstimate), it would mean that 20,000,000 policies had been reported to companies on them — approximately one-fifth of all policies written.

For C. M. Cartwright

A Tribute

The fifty years that have passed since my good friend C. M. Cartwright entered the Insurance Publication Field have been eventful ones for all of us.

Many of my colleagues in the insurance business have grown up, as I have, with Mr. Cartwright. We regard him as not only a business associate, but as a close personal friend as well.

It is always a pleasure to see him come into the Home Office on one of his visits. His kindly comments inspire our younger men, as they have inspired me.

May he be spared to us for a good many more years.

Sincerely,

G Manzelmann

President

North American Accident Insurance Company

Chicago, Illinois

Life—Accident and Health Insurance

THE ASSOCIATION OF CASUALTY AND SURETY EXECUTIVES

"Public Welfare Is Our Business"

By J. DEWEY DORSETT

WHEN the Association of Casualty & Surety Executives was first organized in 1929, two main purposes were set down by its member companies to guide its work. Those purposes were sound in origin. They grew out of the realization of certain needs of the insurance industry if it was to be perpetuated in the best interests of itself and the general public and if it was to continue to serve the public welfare.

In an effort to carry out these purposes, several leading casualty and surety companies had, for a number of years, been cooperating through inter-company committees and small organizations set up to deal with particular phases of the business. Some were pioneer organizations going back as far as 1891. Many were important and effective in their fields, but none of these earlier committees and organizations was equipped to handle major problems of the industry. When it became apparent that insurance had an increasing responsibility of public service and that the problems facing the industry were too great in scope to be handled by such a loosely-knit system, a formal association of executives was organized. So, when the Association of Casualty & Surety Executives was formally launched, it was to further these two main purposes:

1. To provide a forum for the discussion of general problems which are of common concern to stock casualty and surety companies doing business in the United States.
2. To promote the interests of such companies in every legitimate manner consistent with the public welfare.

Since the role of insurance, of all the numerable types of industry, is more closely allied to public welfare, one of the main tasks of the association has been public service.

It might be said that the unofficial slogan of the association, as with the entire insurance industry, is, "The Public Welfare is Our Business."

The program is a broad one. It encompasses such varied fields as accident prevention, claims activities, legislation, research, agency relations, public relations and public education, publication and distribution of books and booklets, cooperation with other organizations both in and out of the insurance business, and all the many related activities which stem from the primary purposes.

OF all these services, accident preprevention is one of paramount importance. To further the cause of accident prevention, the association took over and expanded the National Conservation Bureau, an organization which in recent years has received nation-wide acclaim and appreciation for its work. Look at a few examples of the bureau's activities.

In Connecticut, on a road between New Haven and Naugatuck, there used to be a junction next to a high embankment. It was a hazardous situation and accounted for 26 collisions, 16 injuries and two deaths in a period of a few months. When traffic engineers were called in, they found the trouble to be a series of small things like poor visibility, uncertain right-of-way and inadequate markings—all easily remediable. By making a few minor changes, the engineers cut traffic accidents at that point 93% and demonstrated that safety can easily be attained by proper study.

In Pennsylvania there was a section of highway which, for no immediately apparent reason, was a death trap. The section was fairly straight and had excellent visibility. Truck drivers usually speeded up when they hit the straightaway, then, with unfailing regularity, would pile up in the ditch. A survey at this point revealed a slight curve—hardly visible—which, combining with the increasing speed of the trucks, gradually shifted their weight off-balance and sent them hurtling off the side of the road. The condition was corrected by putting two jogs in the straightaway which caused the drivers to slow their trucks enough to break the outward pull on the curve.

The bureau makes a point of not only promoting the inspection and correction of such hazardous conditions, but of publicizing the corrective measures all over the nation so that traffic officials in other states may quickly and easily cut down accidents in their areas.

But this is only a very small part of the bureau's extensive work in behalf of accident prevention. It conducts a continuing study of industrial accidents and occupational diseases in a search for better preventive methods. It has been responsible in no small degree for cutting the industrial accident death rate in half during the last 25 years. It promotes safety education through schools, colleges and community organizations and works closely with the Center for Safety Education at New York University, founded and financed by the association. Through the center, which is the country's first school of the type, the association has advanced many of the graduate research studies in the field of safety education. From 10 to 15 studies are carried on each year on such subjects as development of ground safety programs for airlines and airports, determining the basic causes of industrial accidents, and investigation of the comparative value of various types of radio safety programs. Funds for fellowships have been made available in the annual grant to the center from the association.

The National Conservation Bureau also works actively with public and private organizations in promoting street and highway safety. One of its recent activities, which received a considerable amount of publicity, was the sponsorship of a "hare and tortoise" automobile race through the streets of Philadelphia designed to show that reckless driving doesn't pay. The driver of car No. 1 was a safe and courteous driver who observed all the regulations to the letter. The driver of car No. 2 ignored all traffic regulations he possibly could, got his speed up to 52 miles an hour at times, and had several near-accidents. The difference in time between these two drivers on a ten-mile stretch through busy streets was only 4½ minutes. Recklessness isn't worth the risk.

Among more than 100 books and pamphlets published by the bureau in the field of safety, the textbook *Man and the Motor Car* is perhaps best known. Three hundred and fifty thousand copies are in use in more than 4,000 high schools, and special editions have been printed for 20 states. Other publications embrace such subjects as safety standards for various industries, traffic engineering, safety in the home, in the office, in recreational activities, and manuals for the teachers and for the police.

In addition to its own direct activities in behalf of accident prevention, the bureau is constantly working with about two dozen other outstanding organizations interested in the common cause.

NO less important than its safety activities, though perhaps not as well known, is the association's intensive effort to improve claim conditions and minimize fraud. Because of the ceaseless work of its claims bureau, many of whose investigators are former FBI men, claim fraud isn't the lucrative practice it used to be. Fakers who intentionally stumble over the hotel rugs, pretend to fall in front of automobiles, or "discover" self-deposited foreign substances in food, no longer find it so easy to collect from insurance companies. During the past nine years the claims bureau has broken up ten organized fraud rings, obtained the conviction of innumerable fakers, and had "ambulance chasers" disbarred.

Through its index division, with offices located in ten cities, the bureau maintains a complete record of personal injury claims. Two hundred and ninety subscribers (insurance companies and many others) forward new claims to the bureau, which in turn supplies the subscribers with information on the past record, if any, of the claimants. These records expose the activities of offenders and furnish evidence for prosecution. Sometimes, where the circumstances are suspicious but lack of evidence or other reasons make prosecution inadvisable, "policing interviews" are used. In one case, for example, a woman had made 13 personal injury claims in ten years. With the cooperation of the authorities, such claimants are called in, confronted with their records, and told that future claims will be carefully watched. This experience usually prevents further fraudulent claims from that source.

J. Dewey Dorsett, general manager of the Association of Casualty & Surety Executives, for ten years helped administer the workmen's compensation law in North Carolina. He was chairman of a three-man commission which had the administration of the law as its responsibility. He went directly from North Carolina to New York, as a member of the staff of the association. During the first few years there, he was manager of the casualty department. For one year he was assistant general manager of the association, and then in May, 1944, was made general manager.

J. D. Dorsett

Another objective of the claims bureau is greater efficiency in settlement of legitimate claims. Representatives of the bureau conduct classes of instruction for company employes engaged in claims work and participate in meetings at which local claims managers discuss common problems. These representatives stress the desire of insurance companies to pay claims promptly and fairly. They urge the exercise of care and patience in explaining to claimants the company's position when payment is refused.

Still another activity of the claims bureau, and one which undoubtedly will be intensified in the future, is its participation in the recently-initiated National Conference Committee on Workmen's Compensation. Some main objectives of the committee's 12-point program include simplifying of report forms and statistics; getting greater participation in compensation administration by competent medical people; strengthening administrative organizations; an educational campaign in disability evaluation; speeding up payment of claims; elimination of unnecessary hearings and appeals, and collection of information relating to rehabilitation.

Another important function of the association is to analyze and acquaint its members with pending legislation in the 48 states and in Congress. Because the interests of the member companies are broad, this is a tremendous task. At the peak of the season, it is not unusual for the as-

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sociation to receive as many as 500 pending or proposed bills in a single day. In the more important states, every bill introduced is sent to the association. All these must be thoroughly examined because provisions affecting surety bonds, liability insurance, or other pertinent matters may be buried in bills, which on the surface bear no relationship to insurance. After the elimination of nonpertinent bills, the remaining ones are carefully studied and compared with the existing law to determine the intended effect. Memoranda concerning the legislation then are sent to the member companies for their information. During 1945, the last "heavy" legislative season (since most legislatures meet only once every two years), the association sent out 1,968 bill memoranda and 1,388 law memoranda.

—Courtesy Association of Casualty & Surety Executives

ANOTHER significant contribution of the association concerns disabled veterans. It is estimated that a million and a quarter of our returned veterans are physically impaired in some way or another. There is now an approximate total of ten million physically impaired persons in the United States. An employer considering employment of handicapped workers often asks himself whether he is starting something he can't get out of, whether he is inviting absenteeism, whether employe morale will be affected by the presence of deformity, whether accidents will increase, whether insurance rates will go up. Because of these fears and doubts, handicapped workers have frequently been turned down for jobs they are well qualified to fill. Often the reason given is that "the insurance company has forbidden such hiring," or "if I hire them my workmen's compensation rate will go up." The association has given wide publicity to a denial of these falsehoods and has publicly stated time and again that handicapped workers often have superior records in safety, efficiency and loyalty. It has, through its contributions to the Center for Safety Education, sponsored scientific studies of these points. It has published and widely distributed a booklet entitled "The Physically Impaired — A Guidebook to Their Employment."

Though handicapped workers are no more prone to accidents than others, it is true that a second injury following an existing disability, as in the case of a one-armed worker who injures his remaining arm, may mean permanent total disability and a maximum compensation award against the last employer. To remedy this unfair hardship, the association recently drafted a second injury fund bill under which the last employer is charged only for the second injury, the balance of the compensation being paid out of a special fund to which all insurance companies contribute. By adopting this plan or passing laws of this type, all but 16 states have removed the last obstacle to the hiring of disabled workers.

Recently the association cooperated in another project which should prove to be of great help in bringing about a wider understanding of casualty insurance. In 1942 the National Association of Secondary School Principals began a three-year study of consumer education in high schools of the United States. The object was to develop textbooks and other material for use in teaching students how various businesses operate. When approached for information by the committee directing the study, the association gave immediate financial assistance and active cooperation followed. The result was the publication in 1946 of "Buying Insurance" —unit No. 8 of the consumer education series. This comprehensive discussion of insurance, written in simple language, is being given wide distribution throughout high schools of the United States.

Education is a long-range undertaking, but some of the association's activities show immediate results. For example, a recent accomplishment of the surety department will have a direct and immediate effect on building construction.

Recognizing that owners contemplating building desire some form of guarantee against contractors' default beyond a mere money guarantee, the association, after two years of research, recently announced the development of a new form of "performance bond" and of a separate supplementary agreement known as a "payment bond." While there is nothing new about the basic idea of a performance bond, no provision heretofore had been made for anything more than the reimbursement of an owner for his loss. Often, of course, the surety company stepped in promptly, helped the owner arrange for completion of the job and arranged for additional financing. But the language of the old bond form didn't require the surety company to do so.

If a contractor defaults, under the new form of performance bond, the surety company will complete the work or find an acceptable contractor who will do so. Moreover, the company will also help to keep the job rolling by furnishing additional financing made necessary by the contractor's default. Under the new form of "payment bond" the surety company guarantees that the completed structure will be turned over free of mechanics' liens and that laborers, subcontractors and material suppliers will be paid promptly for work and materials.

No story about the association could cover every activity, for its functions and services are almost endless. For example, miscellaneous day-to-day activities do not make news but they are nevertheless valuable. A company engineer calls up and asks for information on occupational diseases related to tetra-chloro-para-benzoquinone, a fungicide. Within a few minutes the library locates a scientific paper on the subject, and loans it to him or tells him where to obtain a copy for himself. A legislative committee requests aid in drafting a bill; a workmen's compensation official of one state wants information about the laws of other states; state departments created to administer new financial responsibility laws want assistance in setting up the proper machinery. To all the association lends a speedy helping hand.

Sometimes, especially during the war years, some of these requests for assistance seem far afield. Two years ago, for instance, the association was asked by the War Manpower Commission to participate in an all-industry survey to determine what had been accomplished to conserve manpower through labor-saving machinery and new systems and operating methods. Since association members aren't engaged in the production of commodities, the request seemed out of their line and unlikely to produce information which the government could use. Nevertheless, the association got in touch with member companies and data was submitted. Subsequently, the information proved helpful. The association's report had disclosed steps taken by member companies in simplifying and standardizing forms, eliminating duplication and curtailing unnecessary office procedure—and resulted in valuable assistance to the government.

Through its information and publication division, the association prepares news releases designed to further public education in safety practices and to inform the public of the true role of insurance as a service institution. Assistance is given writers, editors, and commentators in the development of factual and human interest material relating to various phases of insurance activity. This division also publishes The Casualty & Surety Journal, which is circulated among more than 42,000 agents and brokers.

While the creation of the Association of Casualty & Surety Executives was recognition by the leaders of the stock casualty and surety business that theirs was now a major industry, it is interesting to note that they were following a movement that developed rapidly after the first World War. In 1912 there were only 200-odd trade associations operating on a national basis. Now there are approximately 2,000, practically all of which function as general centers of current information regarding their respective industries. Perhaps one-third of them also service their member companies, as the association does, in the field of business ethics, trade practices, public relations, standardization, statistics, research, and government relations.

In a relatively brief time the Association of Casualty & Surety Executives has made substantial progress toward the ideal of interpreting insurance practice in terms of public service. It is certain that this progress will continue. For the association recognizes that it serves its members best when it serves the public best.

The public welfare is our business.

Company President Writes Publication

Colonel J. L. Cunningham, who was president of Glens Falls before the turn of the century, regarded the company publication, "Now and Then," as his particular pet, and so far as can be learned today, he wrote all of the pieces himself.

In the May, 1897, issue of the publication he comments on the formation of a mutual company at Newburgh, New York.

"The prospectus indicates that the promoters of this new company do not know what they are undertaking," the Glens Falls publication states. "It says that Duchess county pays upwards of $1 million in premiums annually, and that its fire losses do not average $100,000, which statement underwriters will recognize as sufficiently wild. It also says that 'very few companies pay less than 10 per cent. dividend annually, and from that figure up to 60 per cent.,' when the fact is that during the best years, last year for instance, the average is not 10 per cent., and this paid out of the earnings of accumulated assets, independent of underwriting account."

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The hatching of the Blue Goose—Story of joke that made history

BY JAMES R. WRIGHT

THE
"OAKWOOD"
GREEN LAKE

ON APRIL 18, 1906, the great city of San Francisco felt the first shock of the earthquake that was to lay it in ruins. For three days thereafter it was ravished by quake and fire until all that was left was a desolation of smoking ruins, and thousands of homeless, despairing people. The pall of catastrophe was little lightened by the measures taken to relieve the immediate necessities of the situation. The brightest ray of comfort lay in the knowledge that rebuilding and rehabilitation could be immediately started by means of the insurance monies which were to be forthcoming. Property to the extent of $500,000,000 had been destroyed, but only a little more than half of that sum could be expected from the insurance companies. Even here there was doubt. Would the insurance companies pay? Would the earthquake clause take effect? And what then?

But the doubts were ill founded. The companies as a whole rose nobly to the exigencies of the disaster and setting aside clause and condition, paid, and paid, and paid—paid until it hurt, and paid even to the extent of sacrificing their own existence—for many of them, as a result of their principles, had later to suffer reorganization, and in a few instances "fold their tents like the Arabs, and silently steal away." San Francisco was assured of the means of rehabilitation, but the echoes of how it was done spread into many out of the way places throughout the length and breadth of the land, and even across the seas.

Trained for the law, James R. Wright, author of the first part of the Blue Goose story, turned to insurance. After service with Atlas and Phoenix of London in Liverpool, he became branch manager for British Crown at Carlisle. He went to Canada in 1912. After a year he joined the Canadian Underwriters' Association in its mercantile department, later being advanced to control the stamping department, and ultimately becoming chief rating officer.

Then he became assistant secretary of the Nova Scotia Board, and later on he was connected with the British Columbia Board in charge of the re-rating of its territory. From the latter position he went as technical advisor to the Canadian head office of the Liverpool, London & Globe in Montreal where he served 14 years in the same capacity. He spent some time in England, 1934-1936, in the employ of Stone & Cox Limited, to improve its periodicals and statistical works. When he took over the position of technical adviser to the Insurance Brokers' Association, Province of Quebec, and editor of its publication, The Insurance Agent & Broker. In 1942 he was asked to take over the control of the newly established Independent Fire Insurance Conference, where he has remained since.

One of these out of the way places was Green Lake, Wisconsin. Two months after the earthquake, in June, 1906, there assembled for their annual meeting at the Oakwood Hotel, Green Lake, the representatives and field men of those insurance companies who formed the membership of what was then known as the State Board of Fire Underwriters. It was not a pleasant meeting in any sense of the word, and matters were not improved by the inclement weather that prevailed throughout the session. The days were dark, gloomy, and cold, and a steady rain persisted.

To add to the general discomfort and unease, the definite returns of the cost of the San Francisco disaster to the companies involved had not been received, and many of the representatives at the Oakwood Hotel were not at all certain that their companies were solvent, or that their expense draft would be honored at the home office. Of course no individual field man or representative admitted that his company might be hard hit. Rather, everyone was at pains to convey the information that his company would not be hard hit owing to the careful manner in which its business in San Francisco had been underwritten and reinsured—for "you know, we have conducted our commitments anticipating just such an earthquake and ensuing conflagration."

There were few listeners to, and few believers in these statements, and they did little to dispel the pervading gloom. The uncertainty, the weather and lugubrious nature of the situation all conspired toward a tenseness that increased as the hours lengthened into days. Something had to be done to relieve it. But what?

Just here, youth—as youth often does — blundered in.

Ralph W. Hukill, who assembled the accompanying material, was most loyal gander of the Ohio pond in 1926 and most loyal grand gander of the Blue Goose in 1939. Mr. Hukill was in Green Lake in 1945 and talked to a man there who used to run the hotel in which the Blue Goose was conceived, the Oakwood. Mr. Hukill dug up a piece of china showing the hotel in the center, had it cleaned up and a picture taken of it. This is the picture that is reproduced above.

R. W. Hukill

Mr. Hukill also compiled the table that shows the dates when the various ponds were organized. He contributed the last portion of the story of the Blue Goose.

Mr. Hukill is manager of the service office of the Great American group at Norwood, Ohio, and has supervision of 15 southern Ohio and two Kentucky counties.

Three or four of the younger field men had braved the weather and the cold and had ventured a swim in the lake. Those in the verandah watched their return to the hotel with pitying indifference. Crazy! But anyway, wasn't the situation enough to drive anyone crazy? One of the watchers took a sip of lemonade, a pull on his cigar, and chuckled, "them guys look like blue geese with their swimming suits and skins to match." There was a general chuckle, for the description was apt.

But the remark set one of them—Walter Atwater—thinking. There was something in it that had possibilities. What? How? Where? We are not told how many whiskys and sodas were consumed or how many cigars were smoked as burnt offerings to inspiration, but we are told by one who was there that later on in the afternoon there had evolved in Walter Atwater's brain the scheme of a "rag" that would lighten the gloomy atmosphere of the meeting and perhaps relieve the tension.

And so the tale goes that after outlining the scheme of the "rag" to his fellows, a committee was formed that waited upon three innocent and unsuspecting young men, apart and individually, to inform them that it had been the custom from time immemorial for the newest members of the field men's club to submit to a little initiation before they could really qualify as bona fide special agents (inspectors). The young men were skeptical and just a little suspicious, but their discreet inquiries always elicited the same answer: "Sure, this has been the regular thing for years." And perforce they had to be content and reconciled. Those three young men were W. J. Ciscel, Jim Haney, and George Wright.

Our informant tells us that the proposed ceremony took all afternoon to formulate, but that the initiation of the three young men named took place the same evening on the hotel lawn. He also records the fact that many old-timers were present and recalls the names of George Williams, Charles Keith, Phil Cheek, Emil Rademacher, Will Page, George Banta, and Lloyd Wallace, who supervised the musical end of the "rag." According to this chronicler, the doings ended with the finish of the initiation on the lawn, but other scribes have recorded that following the initiation the goslings were led reluctantly, but, withal, unsuspiciously, over the ricefields between the lawn and lake shore, and arriving

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A Broadened Public Responsibility

Armstrong investigation marked turning point in life insurance and its practices

BY HOLGAR J. JOHNSON

ANY one person appraising the life insurance changes of the last 50 years will find it a difficult thing to do because they have been so numerous and on so many different fronts. Therefore, in appraising some of the significant changes, as they appear to me, I shall do so from the point of view of their relationship to the public and their contribution to a broader public service.

One of the most profound of all the changes of the past half century and one that has been of vital importance in both building better public relations and in increasing the service and usefulness of life insurance to the public was the revamping of the operations of the business which stemmed from the Armstrong investigation of 1905. This marked one of the important turning points in the history of life insurance and the changes in practices which developed from this event were many, varied and basic to the whole future operation of the business.

The ending of tontine policies, limiting of new business, regulating of acquisition costs, development of a more active phase of state regulation, a broad reshaping of life insurance practices, extensive education of the public to an understanding of how life insurance operates — these were some of the more important consequences of those disturbing days of 1905-6.

MOST of those in the business today probably do not grasp the full significance of the first of those events, the passing of tontine insurance. That unfortunate invention of 1867, imported from Europe and appealing primarily to the gambling instinct of people, had widely perverted the true evaluation and understanding of life insurance among the people. By the beginning of the 50-year period we are appraising, all but three companies had adopted the practice of issuing tontine policies and the great bulk of the business in many companies was being written on this basis. Tontine insurance, simply defined, was a type of deferred dividend insurance, without any current distribution and, originally, without even current cash values. The values were built up for those who lived to the end of the tontine period and maintained their policies in force until then. As a consequence, the bulk of policies were high cost policies, held in the hope and expectation of a high rate of return at some future date. The return of life insurance to a normal cost level, with dividends paid currently and policy values set up for all policyholders on the same basis, was one of the important turns in the business. Tontine policies were generally dropped after the Armstrong investigation.

A natural consequence of the great development of tontine insurance was an equally great development of assessment life insurance. Naturally, tontine policies being of the high premium type, many life offices concentrated on the high premium policies with investment speculation and it remained for assessment life insurance to capture a large share of the small, low outlay policies. In 1896, assessment insurance had grown to such proportions that it represented just about half of all United States life insurance owned. With the ending of tontine insurance, the level-premium legal reserve business was once again in a position to reach into all markets and meet the needs of all people. This was an important stimulant to the upbuilding of legal reserve insurance and when a few years later large numbers of assessment policyholders, now approaching later life and higher costs, became sadly disillusioned on the assessment principle, legal reserve life insurance was in firmly established position to take over the greater part of public demand. In a relatively short period, even the fraternals, which had formerly operated largely on the assessment plan, adopted the legal reserve principle.

The other developments of that period, outgrowths of the Armstrong investigation, were equally important to the establishment of the proper atmosphere for the expansion opportunities which were to follow. The clearing of the air concerning management questions removed certain apprehensions which might later have been stumbling blocks. The establishment of definite nonforfeiture values prepared the way for the future development of life insurance planning and need-servicing. The education of the public, jarring as it was at the moment, was beneficial to the coming new era of public-business relationships. The aftermath of the whole period was a stimulation of good, sound state regulation—a condition which undoubtedly was a primary factor in retaining state regulation for insurance this past year or two, when the encroachment of federal regulation loomed. All in all, the changes of that first decade of this century, in retrospect, might be viewed somewhat as the valuable and essential step necessary in preparation for new adventures to come.

ANOTHER important event of the half century was the introduction of disability insurance, broadening the service of life insurance. First written in 1896, its real competitive development began just before World War I. This feature rendered a genuine policyholder service and one long desired—but it also created problems which had not been foreseen. In

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The Blue Goose

on the bank of the pond were projected "as is" into the water for their first swim.

The whole affair was so successful, and prolific in ideas, that then and there, before the State Board of Fire Underwriters convention came to a close, it was determined to transform the "Lark" into a "Blue Goose" Society.

It is interesting to record that after all these years the initiation ceremony worked out in the public rooms and verandas of the Oakwood Hotel at Green Lake is, with a few minor changes, still the authorized initiation ceremony throughout the order.

(This history of the Blue Goose appeared in the program of the Grand Nest meeting in 1939.)

FROM the above has grown a strong social organization of those who comprise the great army of fire underwriters, with five ponds in Canada that have a membership of 1,015 and 40 ponds in the United States with a membership of 7,884.

It is little wonder that the organization has grown to such a healthy estate—it was founded on the principles of the golden rule, "Tote Fair." The cardinal principles of character, charity and fellowship have inspired its membership since its very beginning. It is the one all-inclusive organization of those in the fire insurance business where no distinction is made as to the class of companies or the modes of operation. It brings together in social and friendly relations those of the great business of fire insurance.

Organization Dates

1906
Wisconsin home nest, June.
Heart of America, November.
Illinois, December.
Indiana, December.
Iowa, November.
Louisiana, December (1).
Michigan, November.
Minnesota, July.
Oklahoma, November.
1907
Carolina, May (2).
Georgia, (3).
Kentucky, May.
Nebraska, June.
New York City, November (4).
Ohio, February.
Texas, January (5).
Virginia, May (6).
Washington, October.
1908
Alabama, December (7).
Arkansas, April (8).
California, January.
Colorado, February.
Florida, April (9).
Ontario, June.
Pennsylvania, May (10).
1910
Dakota, February.
San Francsco, January (11).
1911
Oregon, November (12)
1914
Quebec, May.
Utah-Idaho, July (13).
1915
Manitoba, May.
1916
Alberta, November.
St. Louis, October.
Tennessee, August.
1917
British Columbia, March.
1919
Montana, April.
1921
South Texas, December.
1922
Seattle, July.
West Virginia, October.
1923
Chesapeake, March.
Kansas, July.
1928
Mississippi, March.
1930
Pennsylvania, March.
1931
Arizona, November.
1934
Alamo, October.
1946
West Texas Pond, July (new).

(1) Louisiana-Mississippi pond originally chartered December, 1906. Reorganized April, 1921. On April 2, 1928 the name of the Louisiana-Mississippi pond was changed to Louisiana pond, the ganders in Mississippi forming their own pond.

(2) North and South Carolina ponds originally chartered May, 1907. Reorganized July, 1921 and name changed to Carolinas pond.

(3) Reorganized June 2, 1924.

(4) Reorganized Feb. 20, 1920.

(5) Reorganized Jan. 14, 1921.

(6) Reorganized Feb. 8, 1924.

(7) Reorganized Nov. 17, 1922.

(8) Reorganized Mar. 6, 1920.

(9) Reorganized Mar. 6, 1920.

(10) Reorganized Oct. 31, 1930, under name of Penn Pond.

(11) Golden Gate pond originally chartered 1910. Reorganized Dec. 28, 1920, under name of San Francisco pond.

(12) Reorganized Nov. 23, 1925.

(13) Reorganized Sept. 28, 1920.

A Half-Century of Service to America's Insurance Industry

"Go to it, Jack,
The NATIONAL UNDERWRITER
50th
Anniversary

Ætna men and women everywhere extend their heartiest congratulations to the National Underwriter on its 50th anniversary of service to the insurance industry . . . and to C. M. Cartwright, Editor, on his 48th anniversary with the publication.

In the insurance industry, as in many others, information is the lifeblood of progress; continuing education is the price of success. Ætna agents, many of whom received their basic insurance training in the Ætna Home Office Casualty and Surety Sales Course, find the insurance press a valuable source of such continuing education.

Keeping pace with the industry's rapid advancement in the past half-century, the staff of the National Underwriter has provided much of the vital information which has contributed to the personal success of three generations of insurance men—and to their broader success in serving the American public.

Life • Casualty *Fire • Marine*

ÆTNA LIFE INSURANCE COMPANY
ÆTNA CASUALTY AND SURETY COMPANY
AUTOMOBILE INSURANCE COMPANY
STANDARD FIRE INSURANCE COMPANY

Hartford, Connecticut

Mack agency of Northwestern Mutual Life at Cincinnati 50 years ago. In the picture, left to right, are M. J. Mack, great uncle; R. W. Mack, uncle; and M. W. Mack, father of the present agent, W. J. Mack.—Courtesy Northwestern Mutual Life.

consequence, the difficulties had grown to such proportions about 15 years later that a general reshaping of underwriting was necessary, including rate increases and curtailment of coverage. One of the major difficulties, however, was the involvement in claim problems and this could not be so readily dismissed. To this day, the life insurance business, in its relations with the public, feels repercussions from the claim problems of disability insurance.

Group insurance, initiated in 1911 and already one of the great divisions of the insurance business, has had a marked effect on public attitudes and relationships. Many of the 14 million workers protected under the $25 billions of group life insurance own no other life insurance—while all group policyholders have had their protection and security base materially expanded by this coverage, secured in cooperation with their employers. And today there are many millions of additional group certificates outstanding under the many other coverages developed—disability, hospitalization, medical expense, surgical expense, annuities. Group insurance has become an important unit in the social-economic structure and a valuable tool in personnel relations. About one-third of all American families enjoy the protection of one or more group insurance policies.

Paralleling the development of group insurance and undoubtedly influenced in some degree by the idea of protection spread among workers by group insurance, industrial insurance, as another expression of broadened service to the public, has had its major development in the years since the start of group. The first industrial policy had been written in 1875, but by 1896 the total owned in the country was still well under a billion dollars. In 1911, when the first group policy was issued, industrial insurance had grown to only about $3½ billions. Today, there are 107 million industrial policies owned, giving an aggregate of $30 billion of protection.

Substandard insurance, wholly a development of the past 50 years, now protects many millions of policyholders for an aggregate coverage of many billions of dollars. The life companies, searching for means of broadening and extending their services to the public, created this branch of the business as a measure to provide insurance for many who could not otherwise qualify for policies. They had certain measurable impairments, either from health or occupation, and, with certain extra premiums, they could be insured. This has been a great public benefactor, making the much desired protection available to many millions who otherwise would have had to remain without life insurance.

In 1917, when the United States entered World War I, a program of War Risk Insurance was undertaken by the government, to provide up to $10,000 of life insurance for all those who entered the armed forces. An aggregate of $39 billion of this life insurance was written, with an average policy very nearly $10,000. Later, as the service men returned to civilian life, all but about $2 billion was lapsed—but there was a lasting effect upon the public thinking towards life insurance and evaluation of its role in family planning. Some four million veterans back in civil life, having enjoyed life insurance protection in terms of $10,000, payable on an income settlement basis, did much to change the public concept of this basic protection. The average life insurance owned per family in the entire country was then less than $1,500. This enlarged perspective spread among the people of the country by the veterans and their families, aided by increased activity on the part of the agency forces, was an important factor in the great surge of buying which followed World War I. Life insurance owned increased 90% in the five years following the war.

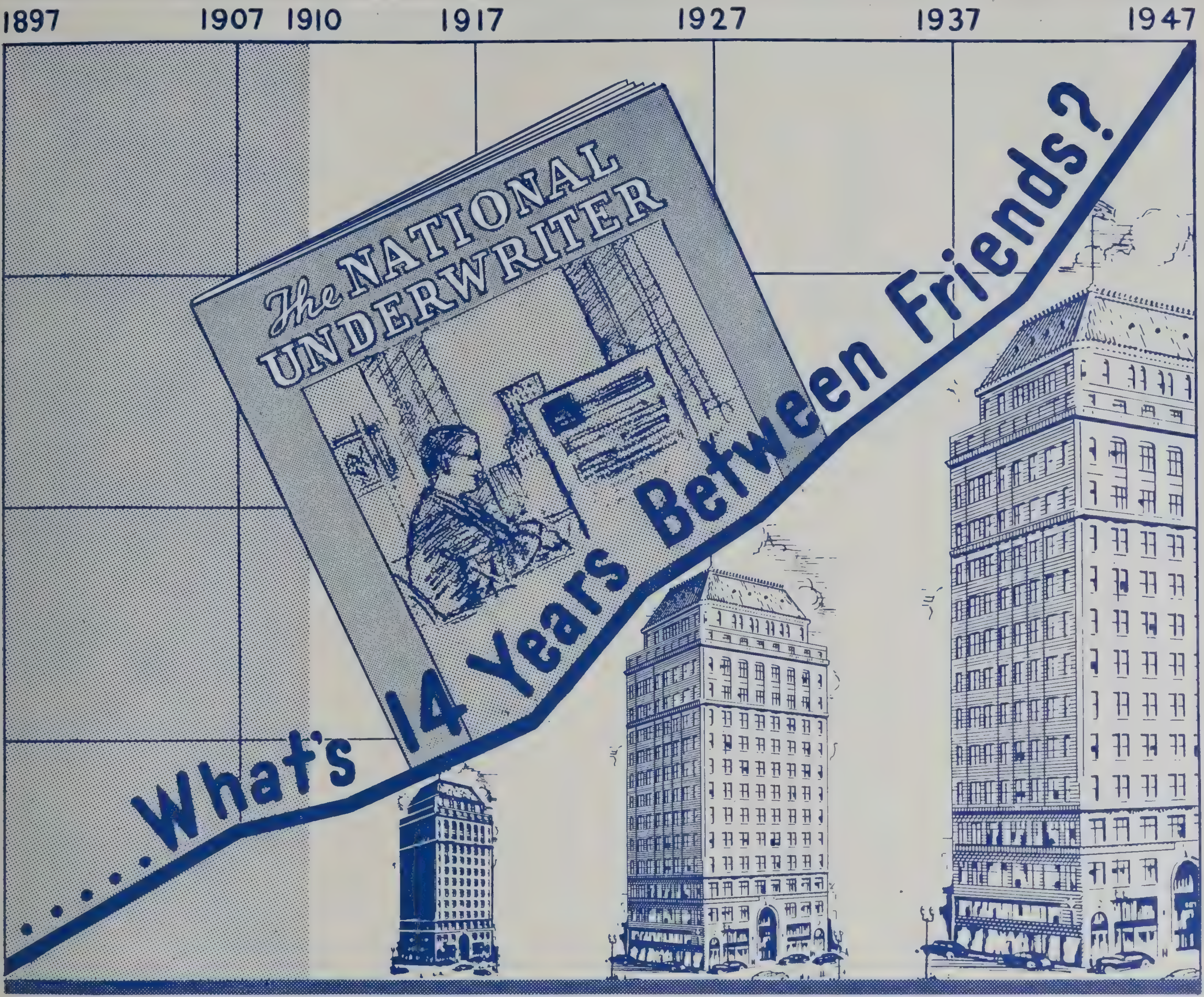
THERE was another factor which contributed materially to that post-war expansion during the 1920s. Dr. S. S. Huebner, dean of life insurance educators, brought out his "Life Values" theory, based on an evaluation of a man's worth. This was destined to become one of the foundation stones upon which life insurance was based, changing the concept of life insurance from one of bulk units of protection to one of replacement of the economic value of human life. Much of the present planning and programming and need-fitting is based on this concept.

The subsequent growth of the income options in the policies is some measure of the acceptance of the theory and its practical application to life underwriting. In 1920, only some $19 million of policy benefits, or about 5% of ordinary and group death benefits and endowments becoming payable, were set up on the income plan. By 1930, the percentage had doubled and the aggregate increased to $93 million. In 1945, policyholders and beneficiaries used $545 million of that year's benefits to set up income plans. This figure represented 41% of the total benefits available in the year.

At the close of the 1920s one of the greatest depressions in the nation's history was ushered in, causing wide dislocations socially and economically for the ensuing eight or nine years. These depression years had a great impact on life insurance and its relationships with the public. In the first place, life insurance stood out for its record of stability and strength during those years and the public gained additional confidence in it as the medium for establishing family security. Many who had previously preferred to create their own security programs through savings and investments, began to turn to life insurance for the protection base on which to build their own further investment program.

OUT of the depression conditions there grew many new use concepts of life insurance. Annuities and retirement policies showed a tremendous increase, as more and more people turned to life insurance as the best guarantee for those latter years of life. They had seen the private holdings of many of their friends wiped out and wanted to be safe from similar disaster. Investment contracts became more popular for the same reason as many in the prime of life saw the value of pooled investments coupled with protection. Whole new markets for life insurance were opened up, as those in the business sought replacements for curtailed business in the old channels. The writing of insurance on the lives of women received great impetus and juvenile insurance received its first great expansion.

There was another outgrowth of the depression years which had a direct and important effect on life insurance thinking—the adoption of the Social Security Act. This was important for two reasons. It not only established a ceiling for the working years of men and women, but it also provided a protection floor on which all could build for a more comfortable old age. Many who previously had not thought they could make any important progress towards establishing a life insurance program for themselves now found that,



Tried the West on for Size Lately?

An example of the west's phenomenal development is seen in population figures for our own home state of California. In 1910, the year of our founding, the state's residents numbered 2,378,000. In 1930, the figure had grown to 5,677,000. Today, official estimates place the population at 9,250,000.

Keeping Pace With the Growth of the West

Cal-Western Now Has

Nearly 400 Million in Force

- *Operating in 11 western states and the Territory of Hawaii, Cal-Western issues modern contracts that meet today's life insurance needs—ordinary and limited pay life, retirement income, endowments, preferred risks, family protection, mortgage protection, children's insurance and annuities—plus group life, disability, medical, surgical, and hospitalization contracts*

'Specially When They're Both Still GROWING!

The National Underwriter was born at a time when this company was only a gleam in the eyes of its founders. But, for the last 36 years, we've shared the joys of increasing stature.

Today, as the National Underwriter girds its linotypes for new heights of achievement — we reflect with satisfaction on a 36-year friendship during which our company has grown from a healthy infant to a financial leader in the west with nearly $400,000,000.00 of life insurance in force.

Lead on, "N.U."! As we face together the challenge of the years ahead . . . we are sure that 1997 will still find us firm and GROWING friends!

**California
Western
States
Life
Insurance Company**

HOME OFFICE SACRAMENTO

with this protection floor, they could make every additional life insurance dollar of real significance. Programming reached into new low income levels and became a mass activity, rather than a feature for the larger income brackets only. What is more, the very establishment of the social security program and education of all workers to its meaning and value, helped to spread the idea of protection and security among the families of the nation.

INSPIRED by the unrest of the depression years, Congress in 1938 set up a special investigating committee, called the Temporary National Economic Committee, to study economic conditions and a nationwide investigation of life insurance was one of the undertakings of that group. It was conducted in an atmosphere of antagonism, with emphasis on the negative, and yet, when the TNEC report was filed in 1940, it was discovered that the net result was to prove life insurance fundamentally sound. This investigation was important in two ways. In the first place, it built up, through long and extended publicity, a public expectation for an expose of life insurance operations, only to present a picture of generally wholesome practices and sound business. Secondly, it further stimulated insurance management to be alert to additional improvement in operational details and service extension.

During the more recent past, the nation has been widely concerned with World War II, the conversion of our economy into it and reconversion back out of it. The details have been so great and the pace of events so swift that we may be inclined to overlook some of the fundamental impacts of this war period. Life insurance is feeling and will continue to feel the effects of this last war in its public relationships just as it did after World War I. It is already apparent in some ways. Purchases of life insurance have pyramided since the war's end, influenced to a marked extent, just as in 1918, by the returning army of veterans, imbued with the greater life value concept than that in vogue at home prior to the war. The war years, with their unprecedented totals of savings in all channels including life insurance, have left their mark in public thinking on thrift. Never before have our families amassed such savings aggregates as they accumulated during the recent war years and the rate of savings, though somewhat reduced today from wartime levels, is still well above pre-war.

Another recent development, possibly traceable to the close cooperation between business and public during the war and the frankness with which all transactions have been publicly observed and discussed, has been a new degree of business-public relationship. It is a new era of business relationship and one which is working both ways. The public is more interested in business details and business is more concerned with public interests. In the actions taken to meet this new trend, life insurance has been in the vanguard and its close cooperation with the public, its widening efforts to carry educational material and simple, understandable progress reports, have become patterns for many other businesses.

Holgar J. Johnson, president of the Institute of Life Insurance, has won wide recognition as a leader in the development of sound public relations for the life insurance business, as a student of the social implications of the business and the economic trends and relationships. He has been associated with life insurance throughout his business career, his 25 years since graduation from the University of Pittsburgh having been divided between agency, head office and organizational work. A successful agent and general agent, he was president of the National Association of Life Underwriters and became nationally known in that post. He also spent four years in a home office sales management post. When the Institute of Life Insurance was formed in 1939, Mr. Johnson was selected as president and has devoted the years since then to heading up that organization's efforts towards the betterment of public relationships by the life insurance business.

H. J. Johnson

THERE are many other important highlights from the past fifty years that have left their mark on the business and its public relationships, but these stand out in my mind as important. They have resulted in beneficial changes and have led to many other changes, beneficial in turn. For example, one of the results of the heightened interest of management in its methods of operations has been a change in the operational status of the agent. He is today better selected, better trained, better supervised and quality is rapidly becoming the keynote of his efforts, rather than quantity. All of the changes we have cited have contributed to this new status of the agent — the programming trend, the new concept of life values, the expanding public interest in security through life insurance, the development of greater educational emphasis through training courses, the work of the American College of Life Underwriters, and also the development of greater research into sales and management problems. And this has all combined to greatly enhance the public relations position held by the agent, the company and the institution. There has been an ever broadening perspective in top management. Public interest has become the primary directive in all operations. Means for broadening and extending the services made available to the public have been and still are sought at all times by both top management and field representatives.

No discussion of the past 50 years could be complete without mention of the National Association of Life Underwriters and the Life Insurance Agency Management Association, both of which have exerted a great influence on the agent and his service relationship to the public.

The new status of life insurance is clearly exemplified by the creation of the Institute of Life Insurance—which, of itself, is one of the important events of the half century, public relationswise, and has contributed materially to the work of bettering public relations in the past eight years. The Institute has become the focal unit for this activity.

There is another development of these past 50 years which has been important to our public relationships—the recognition of a responsibility beyond the routine business. This has found expression in the past few years, particularly in a number of special campaigns of general interest. These have been good citizenship moves and they have served the community beyond the requirements for normal business transactions.

Thus, in recent years, we have seen the business take on special services such as the Keep Well Crusade, to help maintain a high degree of public health during the war; the Anti-Inflation Program, to aid in the wartime battle against rising prices; the efforts to help persuade veterans to keep up their National Service Life Insurance; the research and counsel on matters concerning wise expansion of the Social Security Act; establishment of the Life Insurance Medical Research Fund, for research into the cause and prevention of heart disease, present No. 1 killer; and currently the nation-wide drive for sound family financial planning. These "extra" or "plus" services will continue in the future and life insurance will gain further stature in the public mind through them, as it has in the past five years. All of these changes have been developing gradually over the years since 1896, but they have increased their tempo, and progress in better public relations has gained momentum in the past five years.

We see that today, more than ever before, life insurance is progressive, not static, it is mindful of its high stewardship, it is operating in public interest, it is seeking public cooperation at all times. Life insurance is today held high in public esteem and it is the objective of all in the business to maintain and still further advance that degree of esteem and friendliness. It is not any one event or act which has brought us to our present position as one of the important instruments of democracy; it is the combination of all of these changes of the past fifty years. These have been eventful years for life insurance and the business has made the most of them.

Influence of Indiana on A.L.C.

Indiana has had quite an influence on the American Life Convention and, in fact, on other insurance projects. When a new secretary and manager for the A.L.C. had to be secured to succeed T. W. Blackburn, H. M. Woollen, then president of American Central Life, recommended Claris Adams. Mr. Adams was in a law firm, one of whose members was George E. Turner. Mr. Adams conducted a large Sunday school class in Indianapolis which attracted much attention.

Since he was politically ambitious, he entered the primary election in an effort to defeat Senator Watson but was defeated. When Mr. Adams decided to accept the American Life Convention post, he went to the executive office in St. Louis where he made a success of his work. He wanted to obtain a substantial block of stock in some western company because he thought it would be a great money maker. Clarence Ayers, then president of the A.L.C., was the heaviest stockholder of Detroit Life, and he sold Mr. Adams a good sized block. Mr. Adams went to Detroit as vice-president, but it was at a time when the younger life companies were engulfed in a demand for policy loans. Many of them had farm mortgages which they were forced to take over by foreclosure. Mr. Adams saw there was no future in the company.

Ohio State Life needed a president and Mr. Adams was selected. At once he put life and zest in that organization. In 1945, he was elected president of the American Life Convention.

To succeed Mr. Adams as secretary of the American Life Convention, its directors again called on Indiana. Mr. Woollen and other Hoosiers recommended Judge Bryan K. Elliott, who served the organization with great ability for a number of years. Later, John Hancock Mutual called him to its home office, where he is now general counsel.—C. M. C.

Compensation of the earliest agents of State Mutual must have been included in the expense charge of 6% of the premium as listed in the first rate folder published by the company, for the agent received $1 for each policy sold. Actually this $1 was an extra fee paid by the insured. Because of the higher cost of living in Boston and New York a 5% commission on the first premium in addition to this $1 was allowed agents in those cities.—State Mutual Life "Field Service."

New England Mutual's third Home Office Building, erected in 1875 and occupied by the Company for 66 years.

FIFTY YEARS AGO...

New England Mutual's 53rd Annual Report referred to the "unsettled condition of the country" and stated

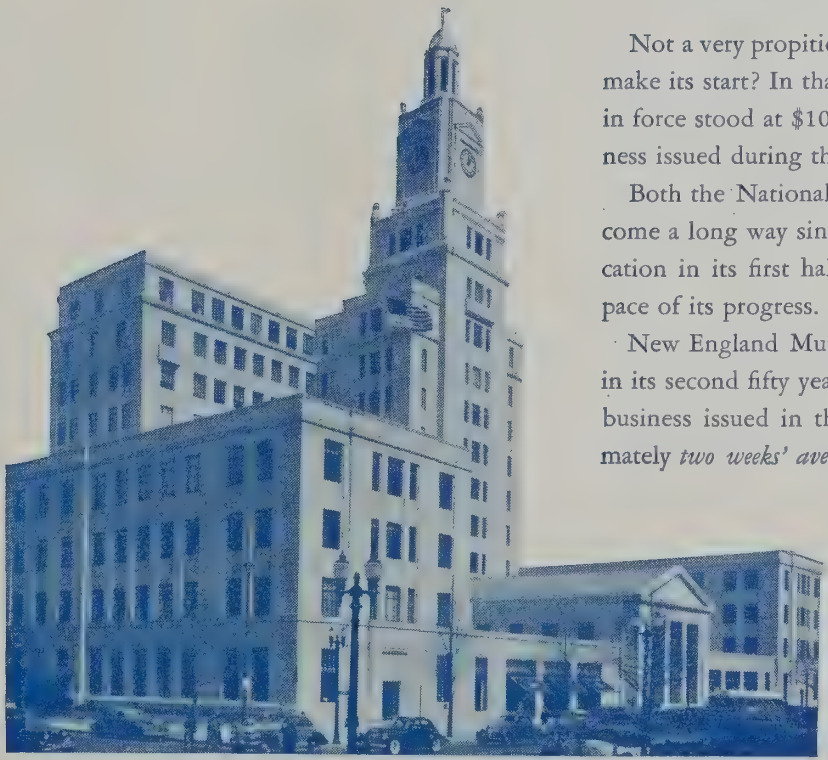
> *"Our Company has had its fair share of public attention at a time when the general business of the country may be said to have been in a state of stagnation, its finances unsettled, and the people engaged in a severe national election."*

Not a very propitious year, was it, for the National Underwriter to make its start? In that year, 1896, New England Mutual's insurance in force stood at $100 million, assets at $25 million, and new business issued during the year amounted to about $10 million.

Both the National Underwriter and New England Mutual have come a long way since then. The one has become a leading publication in its first half-century, the other has greatly accelerated the pace of its progress.

New England Mutual's insurance in force has increased 22-fold in its second fifty years, assets are now 34 times greater, and the new business issued in the entire year of 1896 amounted to approximately *two weeks' average production* during the year just completed.

Under the able editorial direction of one man during its entire business life, the National Underwriter has developed steadily and surely to its present position. May this fine publication, and the industry it serves so intelligently, both continue to grow in stature as they expand their usefulness.



The Company's present Home Office Building, occupied for the past five years.

New England Mutual
Life Insurance Company of Boston

George Willard Smith, President *Agencies in Principal Cities Coast to Coast*

THE FIRST MUTUAL LIFE INSURANCE COMPANY CHARTERED IN AMERICA — 1835

Unique Record of Canadian Companies

Legal reserve life carriers there place great responsibility on their actuaries

BY R. L. FOSTER

THE distinguished editor of THE NATIONAL UNDERWRITER writes and asks the question: "Is it true that no policyholder of a Canadian legal reserve life insurance company has ever lost a dollar through non-payment of the amount guaranteed under his policy at death or on maturity?"

He adds that, if so, it is "one for the record"—and invites me to contribute an article for the 50th anniversary edition answering this question and commenting on other phases of life insurance experience in Canada.

The answer to the question is an unqualified "Yes"—and it covers a full century of the companies' operations because the first Canadian life company was established just 100 years ago.

There are two types of Canadian companies: Those organized under the laws of the federal or Dominion authority (they are in the majority) and those organized under the laws of one of the several provinces. G. D. Finlayson, C. M. G., the Dominion superintendent of insurance for the last 33 years, is authority for my answer in so far as the record of the Dominion companies is concerned and I will take responsibility for the answer as regards provincial companies.

I CAN only indicate some of the reasons which seem to explain this unique record.

Firstly, I would point to the sound Canadian insurance laws and their generally excellent administration by experienced, competent public officials. These laws have imposed safeguards on the investment and custody of companies' funds, required the setting aside of adequate actuarial reserves, and fostered the development of sound practices almost from the beginning. There are many features of Canadian government supervision, such as long tenure of office for superintendents of insurance and the employment of full-time government actuaries and examiners, which have made for efficiency and intelligent cooperation between insurance departments and company managements in the administration of our insurance laws.

Secondly, I would mention the responsibility of the actuary. In Canada it has always been recognized that the business of life insurance is founded on actuarial science. I cannot name a Dominion company, large or small, which does not employ at least one actuary who is a fellow of the British Institute of Actuaries, the Actuarial Society of America or the American Institute of Actuaries. The chief executive officers of many of the Canadian companies are fully qualified actuaries. The investment and agency policies of the Canadian companies are fitted into the underlying actuarial framework. This is necessary as well as desirable because the Dominion insurance law contains this unique provision: The actuary must not only certify that the reserves shown in the valuation summary in the annual statement are not less than the reserves required by law but "in addition, that in his opinion the reserves make a good and sufficient provision for all unmatured obligations of the company guaranteed under the terms of its policies."

Thirdly, the chief executives of Canadian companies are traditionally trained and competent men who in almost all cases came up from the ranks. And speaking of stability of management, there is a Canadian statutory provision which effectively discourages unnecessary mergers and amalgamations. The Treasury Board at Ottawa must approve all contracts involving the reinsurance of one Dominion company by another and such approval is withheld unless it should so happen that one of the companies is involved in financial difficulty.

Finally, I would mention the highly developed institutional viewpoint among executives of life insurance companies in Canada. What is best for the business as a whole, i.e., the institution of life insurance and its policyholders, rather than what is best for a particular company, is uppermost in the minds of most Canadian life insurance men. This is evidenced by the fact that every Dominion and practically every other life insurance company operating in Canada—Canadian and British and United States—is and always has been a member of the Canadian Life Insurance Officers Association, which is now in its 54th year. Through the association, frequently at the request of the superintendents of insurance and other government authorities, common problems receive the consideration of all companies. This was particularly so during the war emergency. The companies have also cooperated in institutional advertising in the newspapers of Canada for more than 27 years; contributed on a joint basis during the past 20 years to support approved public health projects; and recently joined the Dominion government in a Canada-wide housing enterprise, primarily for veterans.

In this atmosphere it can be readily appreciated why, when certain very small Canadian life insurance companies have gotten into financial difficulties in the past (as a few have), one arrangement or another has been promptly made whereby one of the larger companies, or a group of them, has voluntarily taken over the weak company. While, of course, there was no obligation of the other companies to do this, the record could not stand as it does and be explained without reference to these arrangements.

THE business of life insurance in Canada is transacted by 46 active companies operating under Dominion registry, several other Canadian companies operating under provincial license exclusively, and many fraternal benefit societies. Of the Dominion-registered companies, 28 are Canadian companies, four are British companies and 14 are United States companies. The British and United States companies have in force about 35% of the business.

Canadians own about $875 of life insurance per capita. Ordinary sales in 1946 exceeded those of 1945 by 42% and the average of those of the last five years by 71%. If regard is had to comparative national incomes, no country in the world has more life insurance in force than Canada.

While most Canadian stock companies write both participating and non-participating insurance, more than three-quarters of their business is participating and the Dominion insurance law has provided for upwards of 35 years (the private acts of some of the companies so provided much earlier) that a minimum of 90% of the profits from participating policies shall be assigned to policyholders. In actual practice, Canadian stock companies with the majority of the insurance in force in such companies have voluntarily increased the percentage of profits credited to policyholders. For example, in the 20-year period ending in 1941, the policyholders received 95.5% of such profits distributed instead of the minimum of 90% required by law. This unusual feature of Canadian stock company operations may help to explain the stability and growth of their business and the wide public confidence enjoyed by them.

When the first Canadian company was established in 1847 there were no United States companies with offices in Canada and the office of the only British company in Canada was in the city of Quebec.

R. Leighton Foster, K. C., general counsel of the Canadian Life Insurance Officers Association, Toronto, from 1924 to 1935 was superintendent of insurance of the province of Ontario. He was educated at the University of Toronto schools, McMaster University and Osgoode Hall, Toronto, and Emmanuel College, receiving the degree of B.A. and admission to the Ontario bar. He is a fellow of the Casualty Actuarial Society. Prior to 1924 he was a member of the law firm of Foster, Lester & Russell, Toronto. In June, 1933 he was created a King's Counsel.

R. L. Foster

Most of the larger Canadian companies were organized in the next three or four decades. By the end of 1897 when THE NATIONAL UNDERWRITER was founded there were 15 Canadian companies operating under Dominion registry but insurance in force in Canada totalled less than $350,000,000.

MEANWHILE some of the Canadian companies had expanded into foreign fields and today about 40% of all the volume of life insurance in force in Canadian companies is in force outside of Canada, largely in the United States and the British Isles, but, in smaller volume, in many other countries around the world. For several years, the leading agency of one of the major Canadian companies has been in South Africa with its Cairo agency frequently a close runner-up. The leading agency of another Canadian company is in Cuba. It would be difficult to assess the value to the Canadian companies of this foreign business. It has been generally profitable; it must have contributed a great deal to the experience of their home office executives; and it has certainly been a fine thing for Canada.

In World War II, the excess mortality from war claims was not nearly as serious as anticipated, and was substantially balanced by improvement in civilian mortality. In fact, the amount of war claims was only one-half as much again as the war claims arising out of World War I, notwithstanding that the amount of insurance was seven times as great. Of course, the influenza epidemic following World War I was almost as costly to the companies as the war. These epidemic claims during the winter of 1918-1919 were almost three-quarters as great as the war claims from 1914 to 1918.

Concerning the foreign business of the Canadian companies, very few policies were in force in enemy or enemy-occupied countries during World War I. About 2% of

103 YEARS OLD

and still planning for the future

In 1844, when State Mutual was founded, life insurance was new in America. A handful of pioneers in what was then the little town of Worcester, Massachusetts, seeking the benefits of life insurance for themselves and their neighbors founded the State Mutual Life Assurance Company. From this humble beginning 103 years ago, the Company has grown to a national institution with offices from coast to coast and policyholders all over the world.

Priceless as is its heritage, State Mutual forges ahead firm in the belief that tradition should be used as a rudder and not as an anchor.

With kinship born of age, State Mutual salutes The National Underwriter on the fiftieth anniversary of its brilliant journalistic career.

STATE·MUTUAL·LIFE
Assurance Company
OF WORCESTER, MASSACHUSETTS

AN OLD COMPANY WITH A YOUTHFUL OUTLOOK

Employe Retirement Plans

employe retirement idea developed slowly to 1936—today some readjustments are in order

BY M. M. GOLDSTEIN

THE tremendous increase in interest in the establishment of employe retirement plans during recent years is reflected by the fact that about 10,000 pension and deferred-distribution profit-sharing plans have been submitted to the bureau of internal revenue for approval under section 165(a) of the internal revenue code. Of these, perhaps 2,500 are profit-sharing plans and 7,500 are pension plans, contrasting with about 1,000 pension plans in operation at the beginning of the war. Perhaps 2,000 have been created since V-J Day. The establishment of large numbers of formal plans for the retirement of employes in the United States is, therefore, a comparatively recent development.

During the 19th century the employe retirement problem was seldom of great concern to employers. Businesses were comparatively small, employe turnover was high, and cases of superannuation or disability occurring after many years of service were comparatively rare. Such cases as did arise were generally handled by providing the employes with lighter work, continuing them on the payroll or paying retirement allowances on a discretionary, informal basis, taking the circumstances of each individual into account.

The first formal pension plans were established principally by the railroads. They were the first businesses to attain large size and the first to operate over a period of time sufficiently long to permit appreciable numbers of employes to remain in service over many years.

THE first recorded pension plan in the United States was established in 1875 by the American Express Company. It was noncontributory, unfunded, and originally provided for retirement at the discretion of a committee of the board of directors of permanently disabled employes who had reached age 60 and completed at least 20 years of service. The pensions amounted to 50% of the average pay earned in the last 10 years of service.

The next known formal plan was established in 1880 as a part of the relief association of the Baltimore & Ohio Railroad. This plan, toward the cost of which employes contributed, was unsuccessful because of a lack of employe interest, and was superseded in 1884 by a noncontributory retirement system.

The Pennsylvania Railroad adopted a formal retirement plan in 1900 providing for compulsory retirement at age 70, but pensions were paid only to employes who had completed at least 30 years of service.

The following years saw the rapid adoption of retirement plans by other railroads. Practically all were non-contributory and provided pensions financed as a part of current operating expense. The pensions generally amounted to 1% of final 10 years' average pay for each year of service. A majority of these plans provided for compulsory retirement at age 70, and some provided for voluntary retirement at age 65, frequently contingent upon completion of a specified period of service. The retirement plans of nearly all the railroads were never funded, largely because any amounts set aside to meet the cost of future pension payments were not recognized as an expense that could be taken into account for rate making purposes. The amounts paid out in pensions increased steadily over the years to very burdensome proportions, until, with the financial difficulties of the railroads in the early 1930s, the problem was taken over by the federal government by passage of the railroad retirement laws establishing a contributory railroad pension system.

More than 200 plans were established in other industries in the period from 1900 to 1920, notably by public utilities, banks and insurance companies. More than 100 manufacturing companies are known to have established plans by 1920, the vast majority being of the unfunded, noncontributory, noncontractual type.

DURING the decade following 1920 there was a trend toward the establishment of contributory plans underwritten by insurance companies. This trend continued during the 1930s, when many of the larger companies took steps to place their employe retirement systems on a sound financial basis. In many cases group annuity contracts were used to underwrite annuity payments purchased with employer and employe contributions for future service, the liability for pensions credited for past service being met by contributions made from time to time in amounts designed to amortize the liability over a period of years. The employer usually reserved the right, however, to make contributions only if they were justified by the future financial needs and conditions of the business, as determined by the employer.

There was a growing realization that it was unsound to provide pensions financed on a current pay-as-you-go basis, that this practice led to an increasing expense which was particularly burdensome in years of poor business, and that sound accounting practice required that the cost of pension credits be met during the active service of employes and charged against the cost of current production, rather than be left to accumulate as a charge against the cost of doing business in future years. This realization was brought about to a considerable degree by the sales efforts of insurance companies, although a number of companies established plans backed by trusteed funds invested in securities, and administered by individual or corporate fiduciaries.

Passage of the social security act in 1936 gave a decided impetus to the establishment of employe retirement plans. The federal old age benefits, which are forfeited unless employes retire, make it advantageous to adopt plans providing supplemental pensions to provide total benefits sufficient to permit employes to retire. A supplemental plan could be established at a cost considerably lower than the cost of an adequate plan without the assistance of government benefits. The social security act also had the effect of focusing the attention of both employes and employers on the advisability of providing for retirement on adequate total benefits commencing at a definite age.

The business depression of the 1930s also made it necessary for many employers to reduce payroll expenses and promote operational efficiency by retiring the aged and less efficient employes. The necessity for retiring employes in large numbers led in many cases to detailed consideration of the problem and establishment of formal plans.

There had also been a marked decline in employe turnover rates below those experienced during the early years of the growth of American industry, having the effect of increasing the proportion of aged employes having long service records.

The trend toward the establishment of plans financed by irrevocable funds or contracts with insurance companies was caused in part by a desire to protect employes against reduction or cessation of pension payments in the event of future inability of the business to meet the pension expense, future changes in management, or the sale, merger or discontinuance of the business. There was also an increasing realization that it was becoming more difficult for employes to provide for their old age on their own initiative because of lower returns on investments.

ONE of the most important inducements to establish a pension plan in recent years has been the liberal tax offsets that have been permitted under the provisions of the internal revenue code. Under the law as it existed prior

M. M. Goldstein

Meyer M. Goldstein, a graduate of Wharton School of Finance of the University of Pennsylvania, has been in life insurance many years, and currently is a general agent for Connecticut Mutual in New York City. Over 10 years ago he organized the Pension Planning Company, a consulting actuarial organization with a present day staff of 40 that operates on a per diem fee basis. Many businesses and various organizations constitute its clientele, and plans in effect represent all known types of pension and profit-sharing systems. Mr. Goldstein is a C.L.U., and an outstanding authority in this field. Collaborating with him in the work of the Pension Planning Company are Bernard E. Farr, lawyer, financier; Karl Tufel, employe benefits consultant; Dr. Ernest Holzinger, Jonas J. Schreiber, Gabriel Hellman, actuaries; and Russell R. Reagh, consulting actuary.

Canadian Companies

their total insurance was in force in such countries during World War II. Fortunately, the mortality among the policyholders was surprisingly low and the companies are re-establishing themselves.

So much for disasters and wars. What of the future? Many Canadian companies look forward to further expansion of their business in the United States. They do not look upon the United States as a "foreign" country. They find insurance laws and forms and practices closely comparable to those in Canada. Contra, more United States companies are looking to Canada. Surely this is all to the good.

Life insurance should know no trade barriers. Canadian companies welcome British and United States companies to Canada; Canadian companies have always appreciated the warm reception they have received in the United States. Life insurance transacted across our international border is an outstanding example to the world of friendly but keenly competitive international trade.

Congratulations to

The NATIONAL UNDERWRITER

on its

FIFTIETH ANNIVERSARY

To Charles M. Cartwright, editorial chief of the National Underwriter from its beginning in 1897, and to all of his associates who have contributed their service in making the publication a worthy insurance newspaper, the Massachusetts Mutual extends its sincere congratulations.

You have met the challenge and kept the faith.

Massachusetts Mutual
LIFE INSURANCE COMPANY
Springfield, Massachusetts

to 1942, it was possible for an employer to create a pension plan "for some or all of his employes" and currently deduct from employer income subject to tax all of the contributions made to finance the pensions if a group annuity contract was used. It was possible for an employer to contribute and deduct in a single year the full cost of annuities provided for all of the past service of employes as well as the cost of annuities credited for service during the year. If a trusteed plan was established, however, only 10% of the amount contributed for past service pensions was deductible in the year the contribution was made and in each of the nine ensuing years, in addition to the cost of pensions credited for current service. This situation placed plans that did not use group annuity financing at a tax disadvantage so far as the financing of pensions for past service was concerned. The then existing tax law also permitted the establishment of plans covering only a few top executives or stockholders that constituted a legal means of tax avoidance.

The possibility of establishing plans for the benefit of a few individuals was eliminated and all types of plans were put on a more even footing by section 162 of the revenue act of 1942. The provisions of section 165(a) and 23(p) of the internal revenue code as amended, and the regulations and rulings subsequently issued prescribing the extent to which employes must be eligible and the benefits that may be provided under restricted coverage plans, caused the amendment of restricted plans to broaden the coverage and encouraged the establishment of new plans covering all regular employes. As permitted under the law, however, many plans have been established that are confined to salaried employes or to employes earning more than $3,000 per year.

High living costs and high personal income taxes have likewise accelerated the growth of plans because it is more difficult for employes to provide adequately for their old age.

The establishment of pension and deferred-distribution profit-sharing plans was also greatly encouraged by the wage and salary stabilization rules. Employer contributions to pension plans were not considered to be prohibited wage or salary increases, nor were contributions to profit-sharing plans if the plan met the requirements of section 165(a) of the code and if distributions to active employes and those whose employment was severed were made only under an acceptable formula.

SINCE there were only about 1,000 formal pension plans in existence before the war as compared with probably seven or eight times that number now in operation, it is apparent that the vast majority were created at a time when (1) profits were high, (2) tax offsets to employers and employes were extremely encouraging, and (3) economic stabilization made their establishment advantageous as a method of holding employes at a time when general increases in compensation could not be granted. To date there has been a very low rate of discontinuance among these plans. It remains to be seen how many of the recently established plans will be continued indefinitely in the future and how many will be discontinued due to the inability or unwillingness of employers to meet their cost when profits contract and tax offsets are low.

It is probable, however, that because of the fact that most employers contributed the maximum that was deductible for tax purposes during the high excess-profits tax years, with substantial funding of the liability for pensions credited for past service before the date of plan establishment, a period of depressed business will not cause a large proportion of the plans to be discontinued. The major financial obstacle encountered in inaugurating a pension plan—the past service liability—will have been at least partially hurdled. A period of reduced business will also be reflected in cost reductions under many plans because of credits against current costs resulting from the release of contributions made to finance pensions for employes whose service terminates. An additional and strong deterrent against plan discontinuance exists in the position of the bureau of internal revenue that discontinuance of a plan within a few years of its inception for reasons other than business necessity may cause the plan to be tax disqualified retroactively for the open taxable years (usually three) as not having been a bona fide program for the exclusive benefit of employes from its inception.

While the rate of establishment of new plans will probably be lower than was experienced during the war period, current corporate income taxes constitute a material incentive to establish qualified plans as does the continuing difficulty experienced by individuals in accumulating private resources after payment of high personal income taxes. The continuance of a low rate of employe turnover will steadily increase the proportion of aged employes of most companies, making it increasingly desirable to maintain and strengthen formal plans for their retirement. There will thus be an increasing need for retirement plans in the future. The advisability of having soundly financed retirement benefits will be felt particularly during future periods of depressed business with concurrent pressure for retrenchment and reduction of payrolls, when aged employes may be retired on pensions financed out of earnings in the previous more prosperous years.

Interior of a Prudential home office department about 1900. **—Courtesy Prudential**

IT is probable that there will be increasing interest in the establishment of self-administered plans of the trusteed type which offer greater flexibility than insured plans with respect to both the character of the benefits and the making of employer contributions. Individual policies have been used under many of the plans established in recent years, particularly where an impelling motive was the vesting concept of a deferred compensation bonus plan. These policies have usually been of the retirement income type, with insurance coverage generally amounting to 100 times the annuity benefits or the cash value of the policy if greater. Until two or three years ago, it was possible to finance annuities under these policies at a cost which, considering the insurance protection, was lower than the cost of annuity contracts providing death benefits amounting to the return of premiums. The cost of annuities provided under retirement income with insurance policies has since increased, making their use less attractive than was formerly the case. Moreover, the death benefits provided under these policies, frequently amounting to as much as three years' pay, makes plans using them much more costly than plans providing pensions for employes who survive in service to retirement, supplemented by group insurance amounting to one or two years' pay. These considerations, coupled with the fact that uninsurable employes cannot qualify for insurance protection if individual insurance policies are used, suggests that retirement income with insurance policies will be used less frequently in the future.

The establishment of self-administered trusteed plans will in all probability be accentuated by the recent promulgation of PS No. 57 by the bureau of internal revenue. This ruling states that the tax status of a pension plan may be jeopardized if the unfunded cost at any time rises above the unfunded cost as of the date of establishment of the plan, or if the suspension of contributions affects the benefit payments. Under self-administration it is possible to make large contributions in years of good business (tax deductible contributions up to 10% of the initial past service cost plus the normal cost), normal contributions in normal years, with reduction or suspension of contributions in unprofitable years, without interfering with the payment of pensions as they become due and without affecting the tax status of the plan. If individual policies are used, it is obvious that if the premiums are not paid when due, or are met by borrowing against the policies, the

"We have left the record far behind"

¶ When the first edition of the *National Underwriter* came off the press, the John Hancock announced, in the somewhat formal language of the late Victorian era, that the "exertions of the field force had been rewarded" by an outstanding record in 1896. In somewhat less stilted wording, however, it was quick to add that its agents already had "left the record far behind."

¶ Thus fifty years ago was defined an urge which has been instrumental, not only in the growth of this Company, but in the achievement which has marked the whole institution of life insurance. Year after year, the agency forces of American life insurance companies have "left the record far behind."

¶ Reporting with accuracy and imagination on that continuing objective is the task to which the *National Underwriter* set its hand fifty years ago. We are happy to offer our golden anniversary congratulations on an outstanding achievement.

John Hancock
MUTUAL LIFE INSURANCE COMPANY
BOSTON, MASSACHUSETTS

benefits will be placed in jeopardy. Under plans using a composite self-administered fund, on the other hand, full benefit payments can be paid from the fund without the need for the payment of regular, fixed annual contributions. This inherent flexibility as to the making of employer contributions under such plans also makes them more likely to be permanent than plans requiring fixed contribution commitments.

During the period of wage and salary stabilization many employers established deferred-distribution profit-sharing plans with the thought that they would fulfill the functions of a pension plan. This has generally not been the case, largely as a result of tax rulings that such plans will be considered discriminatory if the profit-sharing allocations form a greater percentage of the earnings of the high than of the lower paid employes. Since the older employes are usually paid at higher rates than others, adequate pensions can generally not be provided for employes retiring during the first 15 or 20 years of a profit-sharing plan. There will, therefore, in all probability be a trend toward changing profit-sharing plans into pension plans with provision for past service pension credits, using funding methods that permit flexibility as to the making of employer contributions.

The increase in the cost of living has seriously impaired the effectiveness of many pension plans. Increased living costs have not only affected the sufficiency of the pensions of employes who have already been retired, but since the pensions of active employes have in most cases been related to past earnings (so that the cost of the pension credits may be more accurately computed), there is a current need to reexamine the provisions of pension plans with a view to liberalization of the benefits.

While a pension plan is usually established to operate without change as a permanent program, changes in economic conditions, tax regulations, programs of competitors and other factors make it advisable to make periodic checks of all phases of its operation, with suitable amendments from time to time. As an example, many existing plans do not provide adequate pensions for employes who become totally and permanently disabled before they reach the normal retirement age. The future will probably see the addition of disability pension provisions in many cases.

In all probability there will be a continuance of the tendency to raise or eliminate maximum provisions, not only because of higher living costs, but because of the difficulty experienced by higher paid employes in accumulating resources by means of their own thrift after payment of high personal income taxes.

In a number of cases, companies have adopted plans providing modest pensions to keep the cost to a minimum in view of future business uncertainties. When substantial progress has been made in funding the past service pension cost, many of these plans will undoubtedly be liberalized, following the course taken in many similar cases in the past.

It seems certain that organized labor will increasingly support adequate retirement plans. While the current emphasis of union groups is toward the establishment of union-sponsored welfare funds on an industry-wide basis, it is notable that company-sponsored retirement plans are frequently being supported by labor organizations, as evidenced by a number of collective bargaining contracts making reference to company-sponsored plans and providing for their continuance during the period of the contract. In some cases unions have demanded that plans confined to salaried employes or those earning more than $3,000 per year be broadened to include pensions for wage earners.

JOURNAL OF COMMERCE OF N. Y. STARTED AS SHIP AUCTION REPORT

Back in the days when ship masters were merchants as well as mariners, sold their cargoes in one port, bought others and sailed to other ports where they could be sold at a profit, "ship auctions" on the wharves of New York were important.

William Dodsworth, an Englishman, a sound economist and an able writer, established a little paper in New York which gave special attention to these auctions. After it had grown and broadened its field, it took the name of the Commercial Bulletin. Years later Mr. Dodsworth bought The Journal of Commerce.

About 1874 Mr. Dodsworth added an insurance department to the others in the paper. How he came to do so is not definitely known, but the late Sumner Ballard expressed the opinion that George T. Hope, then president of the Continental Insurance Company, suggested the move to Mr. Dodsworth and also introduced to him Frank W. Ballard, who became the first insurance editor.

Mr. Ballard had served as secretary of two New York fire insurance companies, as secretary of the New York Board of Fire Underwriters and, for a short time, as secretary of the National Board of Fire Underwriters immediately after it was formed in 1866. He also was acquainted with high officials of New York life insurance companies and was a good writer.

Like most insurance editors of the time, Mr. Ballard wrote "articles" on fire and life insurance, and his thorough knowledge of the subject made them authoritative. He also published insurance news, mainly that of the fire branch, as casualty insurance was in its infancy, most of the ocean marine business was handled by a relatively few offices, and the surety business had scarcely started.

Mr. Ballard also established the daily fire record, which was extremely valuable to fire insurance companies when reports of fires were slow in coming in because letters were written long-hand and the telegraph was used very sparingly. This record was compiled from reports from correspondents and salvage corps and from reports published in numerous daily papers in all parts of the United States and Canada.

From the daily record was compiled a record for each calendar month, and, beginning in 1879, a yearly record. These monthly and yearly records were compiled in this way until 1926, when the National Board began compiling such records from reports received from its member companies. Since then the National Board's figures have been published, but for nearly 50 years the Journal of Commerce records were the chief source of statistics on fire losses.

Following the death of Frank W. Ballard in 1887, his son, Sumner Ballard, was induced to become the insurance editor. He was a young man working as a clerk in the home office of Home. He hesitated to accept the post as he had neither the knowledge of insurance nor the wide acquaintance possessed by his father, and he was not certain of his ability to dig up and handle news.

However, he soon became the livest insurance reporter in the country. He was a reporter. He despised writing editorials but had to write a few to satisfy the publishers. He thought insurance men, especially company executives, wanted the news, not the opinions of a young editor.

He took up his newspaper work at a time when many small companies were approaching the end of their careers by reason of anti-compact laws, fierce competition and other causes. Mr. Ballard arranged reinsurance of a few of them and soon acquired a reputation as an intermediary who would get the best terms for the retiring company.

His fame as a reinsurance intermediary gave Mr. Ballard a great leverage in getting more news. Not only did the Journal of Commerce scoop the other papers in announcing these reinsurances, but company executives who desired to reinsure other companies soon learned that they were entirely overlooked by Mr. Ballard when he was offering a desirable company unless they gave him the news of their own companies before they gave it to other papers.

Mr. Ballard's reinsurance business grew. He became United States manager of foreign reinsurance companies and president of International Insurance Company of New York. He built a large fortune and could no longer afford to give his time to newspaper work. He resigned as of February 1, 1919, having built the insurance department of the Journal of Commerce into a power. He died October 24, 1941, a few days before his 76th birthday.

While Frank W. Ballard was insurance editor, a young man named Hermann G. Leonard was transferred from another department of the paper to assist him. He remained with the department till his death in 1931. While he had certain inside work to handle, he devoted most of his time to reporting, visiting chiefly the casualty and surety offices. During his career on the paper, those branches grew from small beginnings to immense size. He was a sleuth for news and got tips from all sorts of sources, as he had the confidence of personnel ranging from office boys to company presidents.

After Sumner Ballard resigned, the present insurance editor, William S. Crawford, was called from Chicago to succeed him. Mr. Crawford had been associate editor of The National Underwriter over 13 years and had held a similiar position in the Chicago office of the Insurance Field for a year and a half. During his editorship of nearly 28 years, the insurance department of The Journal of Commerce has expanded, mainly by reason of the growth and broadening of the insurance business. It is still almost exclusively a news page, although opinions are sometimes expressed in "by-line" stories.

This expansion has necessitated a larger staff. Mr. Crawford's assistants are Elmer Miller, formerly with the Insurance Field, insurance editor; Carl O. Pearson, formerly with the Chicago Journal of Commerce, and John N. Cosgrove, formerly editor of the American Agency Bulletin, reporters.

What Happened to First 100 Policies

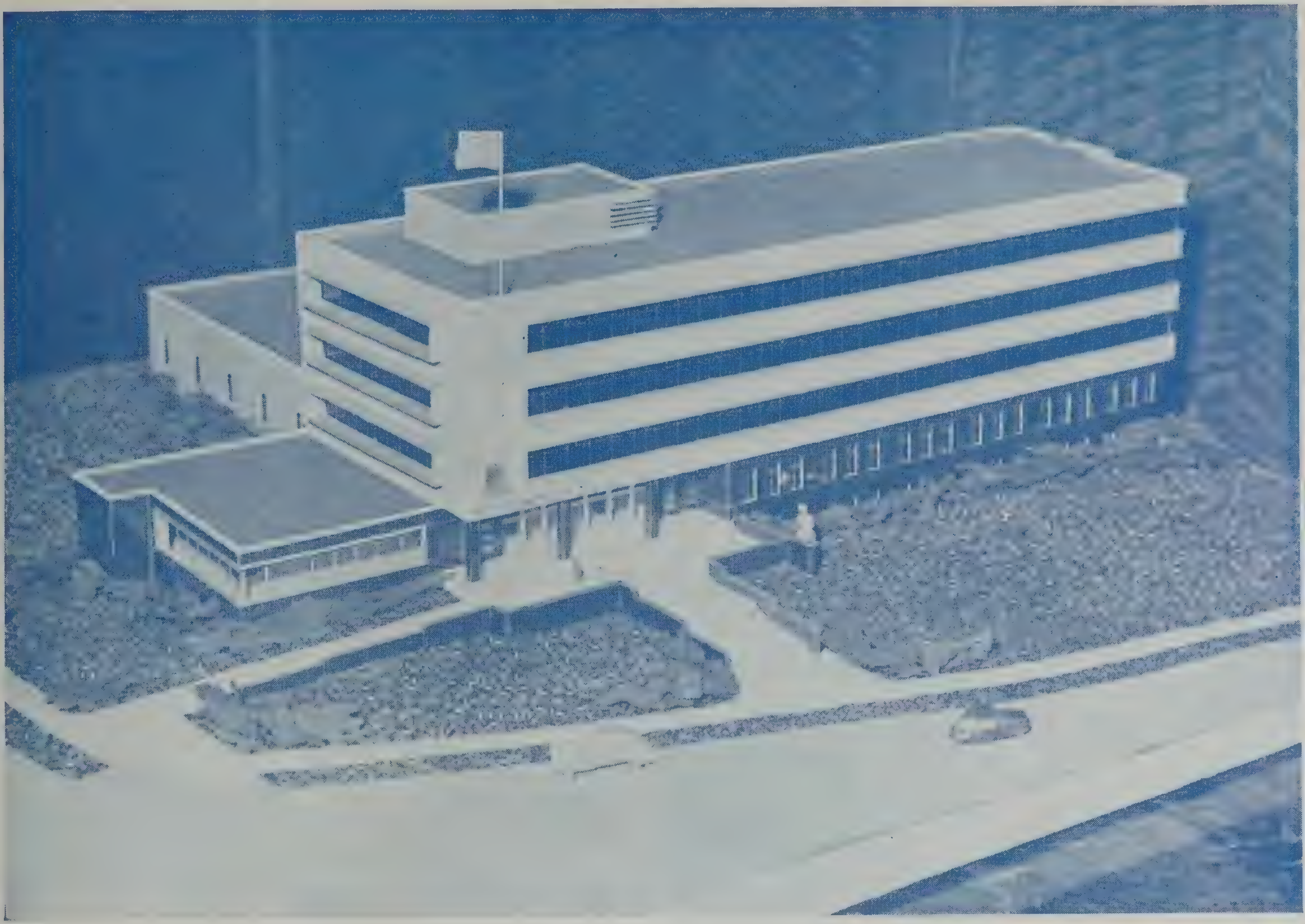
At the time of the 50th anniversary of Penn Mutual Life in 1897, the year The National Underwriter started, a study was made of the first hundred ordinary life policies by the insurance company. This showed the number of survivors at the end of 50 years and the manner of termination of the others with average number of premiums paid by each class and the number of premiums paid on all.

The situation April, 1897, was:

		Average number of premiums paid	Total
Surviving	5	50	250
Cancelled—			
By death	44	25.6	1126
By surrender	27	14.6	394
By lapse	24	5	121
	100		1891

The average number of premiums paid on the entire 100 policies was 18.9; the average number of premiums paid on all the surviving and all the policies paid as death claims was 28.

Out of that first hundred policyholders five survived at the end



Small Scale Model of Company's Projected New Home Office Building

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NORTH AMERICAN
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Strong • Conservative • Progressive

MINNEAPOLIS • MINNESOTA

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Life • Accident • Health • Hospitalization • Group

A Half Century of

COMMERCIAL REPORTING

by

John J. King, Chairman of the Board,

The Hooper-Holmes Bureau, Inc.

DURING the half-century that THE NATIONAL UNDERWRITER has been advancing into the outstanding place it now holds in insurance journalism, another insurance service has been feeling its way, growing and gaining wider and wider acceptance throughout insurancedom. The other service is commercial reporting with which I have had the honor to be identified for 55 years.

It is probably accurate to say that commercial reporting is an adaptation to the specific needs of insurance of the pioneering work in credit reporting carried out by R. G. Dun and the Bradstreet Company (now Dun & Bradstreet, Inc.). These merged services celebrated their 100th anniversary a short time ago, which, of course, easily places them in the position of founders of the general scheme of commercial reporting in the United States. As a matter of fact, these early companies did give service to the fire insurance business and, perhaps, to other branches of insurance, long before specialized insurance reporting came into being.

By 1895, however, it had become apparent that in the life insurance business, at least, a service adapted to the peculiar needs of the business was required. Accordingly, Mutual Life of New York, with which I formerly was affiliated, chose Dan Gillette to inaugurate a reporting system of its own. Gradually, the bureau of inspection and revision of Mutual Life came into being with salaried, fully trained inspectors having headquarters at strategic points throughout the country and with part-time, fee correspondents located so as to be able to give service anywhere in the United States (and later Canada). The work of the part-time correspondents was supervised and controlled by a special subsidiary of Mutual Life's called the National Commercial Agency.

Later, the field reporting plan of Mutual Life was adopted, with some modification, by Equitable Society and the New York Life. Both the latter companies still continue to operate the plan, although Mutual Life abandoned it and turned to commercial reporting companies in 1942.

Also in 1895, William DeMattos Hooper, who later was co-founder of the Hooper-Holmes Bureau, started an interchange of claims information between health and accident companies which he called the National Information Bureau. In 1899, Bayard P. Holmes, an insurance attorney of New York, became interested in Mr. Hooper's venture and on March 6 of that year the National Information Bureau was renamed the Hooper-Holmes Information Bureau and commenced business under its new name.

A month later, I believe, my late friend, Cator Woolford, and his brother Guy, founded the Retail Credit Company of Atlanta. The Woolford brothers, and, later, Walter Hill of that company, did a great deal of pioneering in the development of a nationwide reporting service for insurance companies, for by that time the fire and casualty companies had begun to show an interest in reporting service. The Retail Credit Company followed about the same pattern as did Mutual Life except that by obtaining their business from a large number of companies they found it possible to maintain branch offices with a group of full-time inspectors instead of the single district inspectors used by Mutual Life.

JOHN J. KING

IN 1912, Mr. Hooper died and Bayard Holmes came to me at the Mutual Life and asked whether I would be interested in going to the Hooper-Holmes Information Bureau and forming a new commercial reporting department to operate as a companion service to the claims interchange. I gave the matter careful and prolonged consideration and discussed it at length with my superior, Dr. P. Maxwell Foshay, then head of selection at Mutual Life. Dr. Foshay and I finally came to the conclusion that the Retail Credit Company had demonstrated the superiority of a reporting service supported by a large number of companies with income adequate to maintain large field staffs of trained reporting personnel and that inevitably there would come a demand for a strong competitor of the Retail system. We agreed that Bayard Holmes' proposal afforded a real opportunity for me. Therefore, with Dr. Foshay's full blessing, I joined with Bayard Holmes and undertook the formation of the Hooper-Holmes Bureau's commercial reporting service. Dr. Foshay's thinking on the subject proved entirely correct. It is a source of great satisfaction and pride to me that Dr. Foshay remained my warm friend until his death in 1939.

In 1919, the American Life Convention, at its annual meeting at Omaha, decided upon the formation of a reporting service. Dr. Simmons of Pan-American Life of New Orleans was appointed to head a committee to effectuate the step and in 1920 the American Service Bureau was inaugurated.

In the twenties, Henry McCurry at Detroit started a reporting service which has now expanded to take in the state of Michigan.

In the thirties, Edward P. O'Hanlon formed a reporting service in New York which has expanded encouragingly.

A few years ago, the United States Supreme Court appointed a master to investigate the commercial reporting business in this country. The master's report when rendered indicated that there were then some 1,500 commercial reporting companies, bureaus and agencies operating throughout the United States. Most of these reporting organizations were and are small local merchants' credit bureaus. A considerable number, however, belong to regional or national credit bureau networks which are formed more or less loosely into reciprocating chains.

Out of all these reporting organizations there are now three which are giving standardized service throughout the United States and Canada. These are Dun & Bradstreet, the Retail Credit Company and the Hooper-Holmes Bureau. The development of these companies has been an interesting thing to watch over the years. All have come up from small beginnings and gradually have embraced more territory, perfected new techniques of reporting and worked out better administration both at their home offices and in the field. At the present it seems evident that there is a growing demand on the part of business of all kinds to comb the highways and byways for basic information before assuming risks, or making decisions of importance. If the present tendencies continue, our business should find an expanding market for many years to come.

First 100 Policies

of 50 years. One became a death claim in 1897; two, death claims in 1899; two, death claims in 1900, and one surrendered in 1903.

INSURANCE IN THE BIG GOLD RUSHES

There were two great gold rushes in American history. The first was that of 1849 in California; the other the Klondike rush in Alaska in 1897.

The period for founding the first mutual life insurance companies was in the decade of the 1840s. Penn Mutual Life by 1852 realized the unfavorable experience upon its risks from the Argonauts, quite 50% of the company's losses having been thus incurred, and adopted the following regulations:

Sir:—

Policies will be issued on the lives of persons visiting California, under the following regulations:

1. Persons to be insured must be of medium height, of robust and healthy constitution, free from rupture and of temperate habits.
2. Not to be under 20, nor over 50 years of age.
3. Measurement round the breast, under the vest, not to be less than 34 inches.
4. Policies to be issued for three years only, and not over $2,000 taken on any one life.
5. An extra charge of three per cent. upon the amount insured, in addition to the seven-year rate of the table, payable annually cash in advance.
6. Persons going by the overland route through Missouri must pay one per cent. extra on the sum insured, in addition to the above.

John W. Hornor, founder and secretary of the company, in 1849 wrote a letter to a Cincinnati man regarding the California risk.

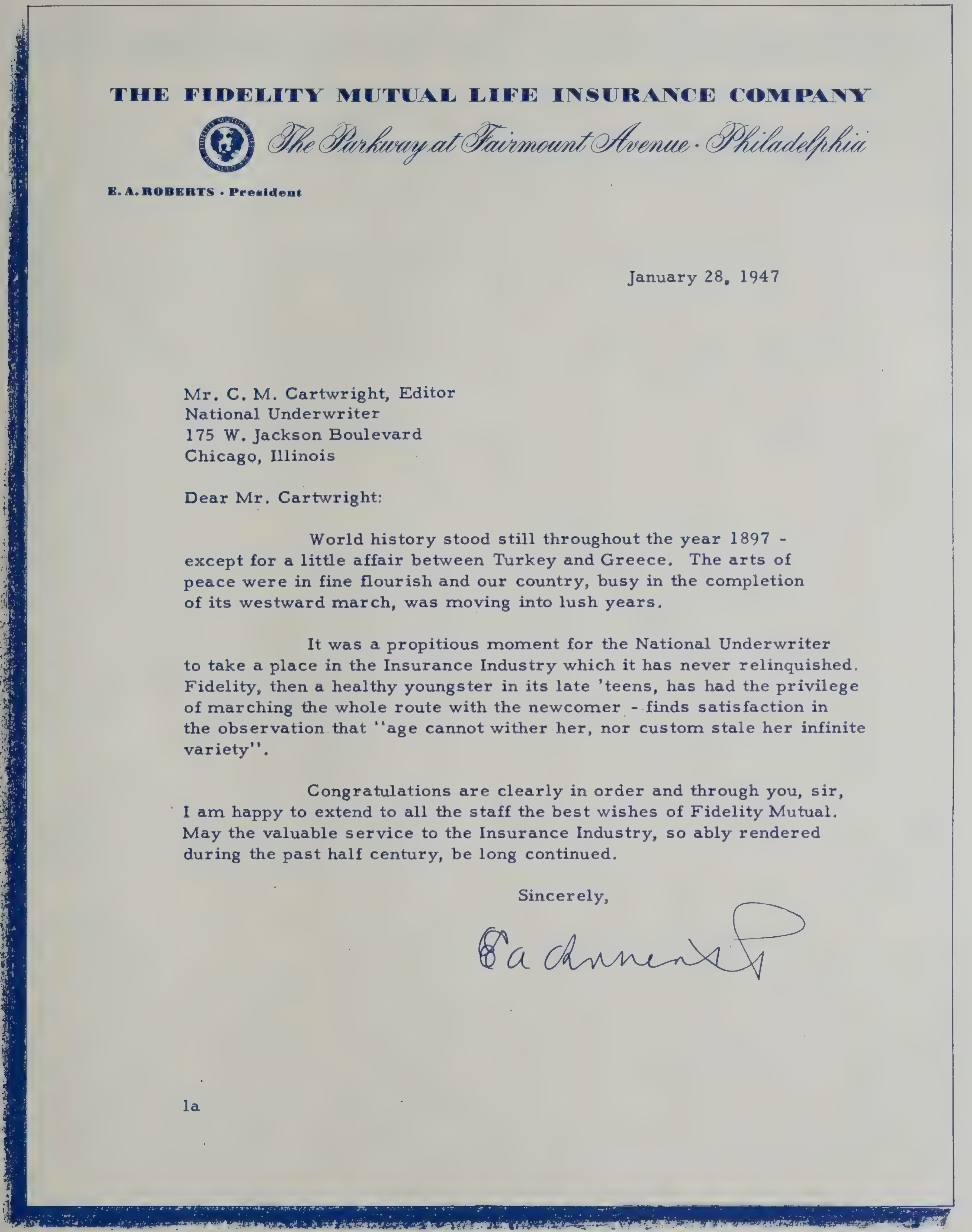
Dr. Sir—

Yours of 2nd is recd. We are insuring persons going to California by any route except via Panama and Chargres at the following rates:

For all policies for one, two or seven years we charge our table rate for seven years and four per cent extra upon the sum insured, which I believe is as low as any office of good standing here.

We are very particular with these risks as to Habits, temperance &c. and do not take more than $1,000 on any one life—$10,000 on any one vessel if they go by sea or $20,000 by any one land party.

The Klondike rush seems to have had no influence on life insurance. Records of Penn Mutual fail to disclose any problem of moment. The percentage of applicants headed for Alaska was negligible, although the number of gold rushers grew in one year from 10,000 to 200,000. In Alaska "the diseases



THE FIDELITY MUTUAL LIFE INSURANCE COMPANY
The Parkway at Fairmount Avenue · Philadelphia

E. A. ROBERTS · President

January 28, 1947

Mr. C. M. Cartwright, Editor
National Underwriter
175 W. Jackson Boulevard
Chicago, Illinois

Dear Mr. Cartwright:

World history stood still throughout the year 1897 - except for a little affair between Turkey and Greece. The arts of peace were in fine flourish and our country, busy in the completion of its westward march, was moving into lush years.

It was a propitious moment for the National Underwriter to take a place in the Insurance Industry which it has never relinquished. Fidelity, then a healthy youngster in its late 'teens, has had the privilege of marching the whole route with the newcomer - finds satisfaction in the observation that ''age cannot wither her, nor custom stale her infinite variety''.

Congratulations are clearly in order and through you, sir, I am happy to extend to all the staff the best wishes of Fidelity Mutual. May the valuable service to the Insurance Industry, so ably rendered during the past half century, be long continued.

Sincerely,

la

A Story of Service

Underwriters' Laboratories, Inc.

BY W. S. AUSTIN

W. S. Austin joined Underwriters' Laboratories at the New York office in 1925 as a clerk. Eventually he took charge of accounting, engineering cost control and label release records. In 1936 he was transferred to the head office at Chicago as assistant to the superintendent of the label service and was responsible for the purchase and distribution of some 400,000,000 labels per year. In 1941 he became assistant treasurer, served in the accounting department until 1946, and was transferred to the secretary's office as an assistant secretary for public relations and general administrative work.

W. S. Austin

UNDERWRITERS' LABORATORIES, INC., is in its fifty-third year. Throughout its history, this enterprise has been in the foreground of the proponents of fire protection and fire prevention, and has a first-hand knowledge of what fire, unchecked, can do.

New developments in science invariably bring with them new risks and hazards; the closing years of the nineteenth century, when Underwriters' Laboratories had its inception, were no exception. A gigantic upsurge in industrial methods, source of power, and new concepts was brewing. Edison was turning loose electricity as a practical source of light and power; automatic sprinklers were being developed and promoted for the control of fire; the skyscraper was coming into existence; a whole host of new devices and materials was stepping up the tempo of commerce and industry. With the advances came many problems bearing directly upon the safety of their use and the protection of lives and properties exposed to them.

The Columbian Exposition in Chicago in 1893 marked the first large scale use of electricity for illumination, and it perhaps marked also the first large scale report of electrical fires. The impact of this on the fire insurance companies was direct and immediate: A new hazard to be taken into consideration.

The Chicago Underwriters' Association (later the Chicago Board of Underwriters) employed a young man, William Henry Merrill, in connection with problems of automatic fire alarm service, and promptly detailed him to respond to each call from the fair grounds. If the fire was of an electrical nature, Merrill's job was to find out what item of the installation had caused the blaze and why it had so performed. This led to examination and test work on the defective electrical parts, and so the Laboratories, over the horses of fire patrol No. 1 at 176 West Monroe street, Chicago, came into existence with about $350 worth of home made equipment, one helper and an office boy.

The helper was William S. Boyd. In 1903, he joined the Western Union with the end in view of enlarging and improving the municipal supervision of electrical wiring and apparatus in the central western district of the United States.

THE value of the work of the Laboratories was early recognized and led to its extension to the territory of the Western Union (later Western Underwriters Association) as well as the Chicago Board. It was called the Underwriters' Electrical Bureau, operating under the joint sponsorship of the committees on fire protection engineering of the Western Union and the Chicago Board.

The electrical testing began to attract attention outside of the central western territory and, together with reports on electrical fires and model report blanks, resulted in a small allowance from the National Board to further the work. The name was changed to the Electrical Bureau of the National Board.

At the same time, the Union committee was pushing examination and test work on acetylene generators—a subject of great concern to the insurance interests, since it had resulted in many fires and explosions due to the lack of knowledge of the characteristics of the gas. At that time, William C. Robinson was employed by the Chicago Underwriters' Association as a sprinkler inspector and later detailed to handle the work on acetylene generators under the Union committee. At the time, H. C. Eddy succeeded Major C. E. Bliven as chairman of the Union committee and its functions were extended to include the entire field of fire protection and fire prevention engineering. Due to the uncertainty of results of the work on acetylene generators, a committee of consulting engineers of the National Board was formed at New York, with C. A. Hexamer of Philadelphia as chairman. One of the provisos of the organization was that all test work for the committee should be done in Chicago. This work was published on the letterhead of "Underwriters' Bureau of Fire Protection Engineering," which in addition showed the address for express shipments as "Underwriters' Laboratories." This was the first use of the present name.

This committee was restricted in its work to the hazards of lighting and heating other than electrical, since the electrical work had been nationalized prior to the laboratory idea by the formation of the Underwriters' National Electric Association. Underwriters' Electrical Bureau handled the electrical work in Chicago and the western states.

Mr. Robinson's acetylene work, together with the increase in the scope of the laboratory, necessitated a move to larger quarters. An unused boys' school at 67 East Twenty-first street, Chicago, was selected as headquarters. At this time, Mr. Merrill resigned from the Chicago Board to devote his entire time to the laboratory and the work of the Union committee.

Meantime, Mr. Boyd's work in the electrical inspection field at Chicago had turned up many electrical defects of a serious nature. Conditions were unsatisfactory not only inside buildings, but also outside where high and low tension conductors and signal lines were strung along together on the street poles, over roofs, and across building fronts. It was a municipal problem, and the cities must be induced to establish their own electrical inspection departments with complete jurisdiction from the power plant to the house fixture. To further this goal, Franklin H. Wentworth for three years traveled the middle west, speaking before chambers of commerce, boards of trade, city councils, and anyone who would listen, eventually winning their acceptance. This was the same Wentworth who later became Boston representative of Underwriters' Laboratories as well as secretary-treasurer and general manager of the National Fire Protection Association.

The next forward step of the Laboratories resulted from the formation of a committee on devices and materials of the N.F.P.A. to cover the field of fire protection appliances with W. C. Robinson as chairman and W. H. Merrill as secretary. Mr. Robinson had returned to his sprinkler work subsequent to inauguration of the acetylene testing, but now decided to cast his future with the Laboratories as chief engineer of fire protection activities. Thus began the teamwork which had so much to do with the accomplishments of the Laboratories in the conservation of human and natural resources. Mr. Merrill's precepts, "know by test" and "state the facts," were the foundation stones of all subsequent progress on the part of the Laboratories—he saw what had to be done and Mr. Robinson showed how to do it.

In 1901, Underwriters' Laboratories, Inc., received a charter from the state of Illinois with its stated purpose as "To establish and maintain laboratories for the examination and testing of appliances and devices respecting the recommendation thereof to insurance companies." The work in electricity, acetylene, gasoline and other hazards had won general recognition and a beginning on protection appliances, including automatic sprinklers, and fire extinguishers, fire doors and fire windows, had been made. Progress toward uniformity and efficiency in the work led the National Board in 1903 to replace its minor appropriations for specific problems with a general appropriation for upbuilding of the institution along broad lines.

THE Laboratories began without income. Expenses were paid by the Union. But the advent of the acetylene generator brought with it the principle that the individual or company submitting the apparatus was to pay a fee for the service. This principle, in conjunction with the fees charged for reexamination service and with the service charge for labels, has permitted the institution to cover its operating expenses and, since 1917, the expansion in plant and equipment required by its growth. In the interim, some $276,000 was advanced for the development of the facilities of the Laboratories but, in keeping with its nonprofit character, no interest has ever been paid on that sum, nor has there ever been any repayment. It represents a perpetual investment for the benefit not only of the under-

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Among his many activities he served in the electrical council of Underwriters' Laboratories, and on the advisory engineering council of the National Board.

First 100 Policies

met with are dyspepsia, anemia, scurvy, overwork, want of fresh vegetables, overheated and badly ventilated houses, rheumatism, pneumonia, bronchitis and other acute diseases from exposure, wet and cold."

The Argonauts on the way to California were up against a far more primitive experience. Overland, there were Indians and exposure with a minimum of comfort in travel. The Isthmus of Panama route was fever-stricken. The third route was by ship around Cape Horn, a long and difficult sea voyage. By 1897 travel was less rugged.

FINANCIAL STATEMENTS

December 31, 1946

Houston Fire and Casualty Insurance Company

FORT WORTH, TEXAS

General Insurance Corporation

FORT WORTH, TEXAS

Houston Fire and Casualty Insurance Co.

Fort Worth, Texas

ASSETS		
Cash on Hand and in Banks		$ 464,187.03
U. S. Government Bonds		1,316,977.19
Municipal Bonds		57,008.56
Stocks		729,466.52
Accrued Interest		8,278.58
Premiums in Course of Collection (Not over 90 days due) Less, Reinsurance Payable		178,916.63
Due from Re-insuring Companies		267,789.83
Other Admitted Assets		72,758.13
TOTAL ADMITTED ASSETS		$3,095,382.47
LIABILITIES		
Reserve for Unearned Premiums		$1,354,587.30
Reserve for Losses		120,056.97
Reserve for Taxes		25,000.00
Reserve for Other Liabilities		13,500.00
Total Liabilities		$1,513,144.27
Capital	$600,000.00	
(6,000 Shares Par Value $100 per share)	982,238.20	
Surplus to Policyholders		1,582,238.20
TOTAL CAPITAL, SURPLUS AND LIABILITIES		$3,095,382.47

1. Bonds carried at amortized values. Stocks at convention values.
2. If market values at December 31 had been used, surplus would be increased $42,819.32.
3. Securities carried at $230,407.14 in this statement are deposited as required by statute.

OFFICERS

W. P. BOMAR	*Chairman of the Board*
J. M. FERGUSON, JR.	*President*
J. E. CHENAULT	*Vice-President*
GREGORY T. CRISP	*Vice-President*
J. LEWELL LAFFERTY	*Treasurer*
ALBIN P. LASSITER	*Assistant Secretary*
C. M. MACE	*Assistant Secretary*

DIRECTORS

JAMES ANDERSON	*Houston, Texas*
W. P. BOMAR	*Fort Worth, Texas*
S. C. BOSWELL	*Ada, Oklahoma*
J. E. CHENAULT	*Fort Worth, Texas*
J. M. FERGUSON, JR.	*Fort Worth, Texas*
BEN E. KEITH	*Fort Worth, Texas*
KAY KIMBELL	*Fort Worth, Texas*
J. LEWELL LAFFERTY	*Fort Worth, Texas*
A. LIEBSCHER	*New Braunfels, Texas*
P. A. NORRIS, JR.	*Paris, Texas*
GAYLORD STONE	*Fort Worth, Texas*

General Insurance Corporation

Fort Worth, Texas

ASSETS		
Cash on Hand and in Banks		$163,824.08
U. S. Government Bonds		378,183.59
Municipal Bonds		11,312.65
Stocks		104,966.67
Accrued Interest		1,483.59
Premiums in Course of Collection (Net not over 90 days due)		55,092.51
TOTAL ADMITTED ASSETS		$714,863.09
LIABILITIES		
Reserve for Unpaid Claims		$152,011.90
Reserve for Unearned Premiums		164,210.31
Reserve for Other Liabilities		13,651.11
Capital	$200,000.00	
Surplus	184,989.77	
Surplus to Policyholders		384,989.77
TOTAL LIABILITIES AND SURPLUS		$714,863.09

1. Bonds carried at amortized values. Stocks at convention values.
2. If market values at December 31 had been used, surplus would be increased $11,517.70.
3. Securities carried at $100,000 in this statement are deposited as required by statute.

OFFICERS

W. P. BOMAR	*Chairman of the Board*
J. M. FERGUSON, JR.	*President*
GREGORY T. CRISP	*Vice-President*
J. LEWELL LAFFERTY	*Treasurer*
J. E. CHENAULT	*Secretary*
ALBIN P. LASSITER	*Assistant Secretary*
C. M. MACE	*Assistant Secretary*

DIRECTORS

W. P. BOMAR	*Bewley Mills* PRESIDENT
S. C. BOSWELL	*Choctaw Cotton Oil Co.* PRESIDENT
J. M. FERGUSON, JR.	*General Insurance Corp.* PRESIDENT
BEN E. KEITH	*Ben E. Keith Co.* PRESIDENT
KAY KIMBELL	*Kimbell Milling Co.* PRESIDENT
J. LEWELL LAFFERTY	*Fort Worth Nat'l Bank* VICE-PRESIDENT
A. LIEBSCHER	*Dittlinger Roller Mills* PRESIDENT
P. A. NORRIS, JR.	*Kimbell-Norris Mills* PARTNER
GAYLORD STONE	*Universal Mills* PRESIDENT

These affiliated companies, the Houston Fire and Casualty Insurance Company and the General Insurance Corporation, afford a superlative and complete service on all property and casualty insurance.

At Underwriters' Laboratories an engineer tests a new type extinguisher on a fire made by pouring two gallons of gasoline into a four foot diameter iron tank. The gasoline is ignited and allowed to burn 20 seconds when the flames leap 20 feet or more into the tower room.

writing interests but for society as a whole.

With its foundations firmly established, the Laboratories has grown and expanded to meet the ever-widening problems of the general public. In the final analysis, it is the general public which is served by every activity of the institution.

The electrical department was the original engineering division, followed by the gases and oils department with its acetylene work; the protection department on doors and windows, and the hydraulic department on automatic sprinklers. Later, a chemical department was organized, to do work of its own and as an adjunct to the other divisions.

With a growing social consciousness in the nation at large came appeals to the Laboratories to undertake investigations in the accident field—safety to life and limb—and the casualty department was formed in 1915. An automotive section was added in 1918 through the cooperation of the National Automobile Chamber of Commerce, the National Automobile Underwriters Conference, and the Laboratories.

The burglary protection department was set up in 1921 largely as a result of an outbreak of burglaries in Chicago. Manufacturers and insurance men approached the Laboratories to assume the writing of standards on various means of protection.

Physically, the plant and equipment of the Laboratories expanded to keep abreast of the growing demands upon it; likewise, expanding its activities to cover, finally, the United States, Hawaii, Canada, and in August of 1922, London, at which point the fire offices committee acts as the Laboratories' representative.

Today the institution occupies its own building at 207 East Ohio street, making intensive use of some 19 laboratories in furtherance of its work. To some degree, this may be taken as a measure of the quality of the service rendered and the need, continually growing, for the fixing of standards of safety for fire, casualty, and burglary prevention. In 1904, 10,000 square feet of land on East Ohio street was obtained upon which was erected the original unit of the present "city unburnable," a modest structure with three stories and basement in the front, and one story in the rear. In 1908, 6,600 additional square feet were obtained and in 1911 the first of some eight additions was erected, resulting in the present 150,000 square feet of floor area, with land to the east for future growth.

Not only was the Chicago plant growing, but the enterprise was spreading out in other directions. In 1911, Underwriters' Laboratories of Canada was organized and chartered by the Dominion government in 1920. In 1912 a testing station in New York City was opened under the direction of the late Dana Pierce. The New York office promptly established an electrical engineering load equivalent to that on the electrical division at Chicago but this did not diminish demand on the latter unit. Here, too, the original quarters were inadequate and after a series of moves, the New York office eventually located at 161 Sixth avenue. A burglary protection laboratory is also maintained at the New York office.

An electrical testing laboratory was set up in San Francisco in 1923 for the convenience of Rocky Mountain and West Coast clients. After several moves, it is now located at 500 Sansome street, where work on oil burners and related devices has been added to the original electrical testing.

For extremely hazardous work involving high explosives, toxic gases, or dangerous operating pressures, a fourth testing station, some 30 miles southwest of Chicago, was established in 1929.

FROM the very start, clients, whose product had satisfactorily passed the testing program, were required to subscribe to a reexamination service, which meant that those products covered would be tested and examined one or more times yearly to determine that current output was in accordance with the appropriate requirements. In addition, purchases of the product on the open market are made for check against the original specifications. Currently, there are some 475 classifications under reexamination service, but it should be noted that a listing of a manufacturer under the service does not signify that all of his product complies with the Laboratories' requirements. Only those devices which bear the listed identification are covered by the listing.

The need for closer supervision of certain classes and types of devices or materials than that afforded by the reexamination service was solved by the label service form of follow-up which called for a factory inspection service. This label, "Underwriters' Laboratories, Inc. Inspected," then constitutes a report by Underwriters' Laboratories that the device or material to which it is attached has been produced in accordance with the appropriate requirements.

Started first in April, 1906, on rigid conduit with a few thousand labels per year, the label service now operates in some 66 categories with several hundred million labels issued per year. There are 170 inspection centers throughout the United States and Canada, from which 300 field men conduct over 60,000 inspections per year on products and materials listed under the label service.

The standards of Underwriters' Laboratories result from research, experiment, experience, and engineers' knowledge—the accumulated wisdom and knowledge of 53 years. Published standards of the Laboratories now number 144 plus many tentative requirements which are moving toward eventual adoption as standards. When necessary, appropriate regulations for installation and use are used, such as the National Electrical Code; applicable sections of the rules of the Bureau of Explosions; the boiler code; the American Standards Association; American Society for Testing Materials; and the American Institute of Electrical Engineers Standards, or other standards of equivalent standing. The Laboratories' standards, then, are the results of years of research and collaboration by the Laboratories' engineers, the manufacturers, and recognized specialists in many fields.

In the early days, the results obtained were subject to review by the Underwriters National Electric Association for electrical devices and by the committee of consulting engineers of the National Board in other fields, but with the merger of those two bodies with the N.F.P.A. in 1910, a single council was set up for the review of the Laboratories' findings. However, it was found necessary and desirable to specialize this reviewing function which resulted in the present program of five councils: Fire, automotive, casualty, electrical and burglary protection, respectively. Membership in these councils is held by men from the underwriting, engineering, and state or municipal inspection fields. In the event of a fixed difference of opinion on an engineering or technical matter between Underwriters' Laboratories and any of its clients, that issue is submitted to the National Bureau of Standards, thus providing a further review of the adequacy of the Laboratories' findings.

To the public, the insurance interests, inspection authorities, and all others who may be interested, the results of all this work are incorporated in the four lists which the Laboratories publish annually containing more than 375,000 devices, materials, and systems now carrying the "Listed by the Underwriters" recognition.

The cardinal operating principles of "know by test" and "state the facts" still rule at 207 East Ohio street, and there still are no salesmen soliciting business—with an implication of delivery which tests might not support. The Laboratories has no commercial motive and its relationships with industry are entirely of a voluntary nature. Its operations in behalf of a great business interest are yet in the public interest since its goal—conservation in human life and property—is the goal also of each of us as individuals. By the use of the press, radio and other public relation approaches, its work is finding an increasing acceptance by the public, insurance interests, and authorities in federal, state, and municipal fields.

Often in the early days of the casualty business, a company started writing a certain line because a big general agent of another company, having become dissatisfied with his current company, sought a new insurer for that risk, and the latter began writing the business.

John R. Loomis, Glens Falls, New York, was the first agency appointment of Glens Falls. Commerce named T. Heffernan & Son, Plattsburg, New York, in 1860.

50 constructive years

In his fifty years of insurance journalism, Charles M. Cartwright has attended more than 100 annual, semi-annual, and other meetings of members of the Western Underwriters Association and its predecessor organization, The Union. For the same number of years, The National Underwriter has generously and impartially published the news of these meetings.

In this same long period of unbroken service, Charles M. Cartwright has observed, and The National Underwriter has recorded, the deliberations of members of this Association which led to the creation of such essential and lasting insurance machinery as—Underwriters Laboratories, The Analytical System for the Measurement of Relative Fire Hazards (Dean Schedule), Uniform Forms and practices, special provisions for the insurance and fire protection needs of industrial properties with unusual hazards and extraordinary values, plus organized adjustment services which have greatly bettered the settlement of losses—all in the public interest.

Members of the Western Underwriters Association take this means of expressing their appreciation of the constructive contributions which Charles M. Cartwright and The National Underwriter have made to our business for a full half century.

WESTERN UNDERWRITERS ASSOCIATION

Developments in Marine Market in the Middle West Since 1900

Growth of Inland Writings Began in Earnest After First World War Increased Personnel

BY E. D. LAWSON

WHILE one easily could become lost in the mists of antiquity in a research of the history and development of Marine Insurance, its greatest development has come during the past fifty years. In that time we have had the Spanish-American War and two World Wars, during which events the marine underwriters were called upon to play an important role in foreign trade. In peace and in war, the marine underwriters have been constantly on the alert to protect the ever-changing demands of commerce.

Fifty years ago, there was but a handful of marine underwriters. A few company offices operated their own marine departments, the others doing their marine business, which was in the main confined to ocean cargoes and hulls, in marine-writing general agencies.

There was little ocean marine business handled by agents located away from the seaboard, most of it being placed by the larger brokerage houses in New York, Boston, Philadelphia, New Orleans, San Francisco and Seattle. The few local agents who happened to control an ocean cargo account would invariably turn it over to the larger seaboard brokers for handling.

At the turn of the century, inland marine business, as we know it today, was relatively unheard of. The ocean marine underwriter was called upon from time to time to insure inland hulls and cargoes on the Great Lakes and other inland waterways, along with domestic shipments in connection with ocean marine shipments. In order to distinguish them from his other writings, he segregated them under the misnomer of inland marine.

There were then very few American companies in the American marine insurance market, which was composed in the main of American-domiciled British companies. The American merchant marine had little support from the government, in fact, the American vessels found it to their advantage to sail under foreign registry.

The outbreak of World War I brought home the need for an American merchant marine and an American marine insurance market. War risk rates for trans-Atlantic shipments skyrocketed to as high as 30% but later leveled off. The government established a Bureau of War Risk Insurance to cover American hulls and cargoes, in order to protect the American shipper from excessive rates of a saturated market.

At this time a large number of non-marine writing American companies were attracted to the field of marine insurance by the lure of juicy profits and entered the field, either through joining a marine general agency or establishing their own marine departments.

WITH the close of the war, the marine insurance market settled back to the position it occupied before the war, except that there were now more mouths to feed, and 1923 found the marine underwriters intensively developing the inland marine field, opening up offices in Chicago for the development of the middle west, with young special agents beating the bushes in the smaller towns for fine arts floaters, fur floaters, personal effects, jewelry floaters, jewelers block business, personal property floaters—a fine type of business when properly produced and intelligently underwritten, all of which was theretofore going to London Lloyds.

Since it was soon evident that inland marine business went hand in glove with the fire companies' agency plants, the next ten years found increasing numbers of the fire insurance companies, who had heretofore transacted their marine business through marine writing general agencies, branching out into the business themselves. There were not enough seasoned inland marine underwriters to go around and the inevitable soon happened, with certain groups who felt the business was theirs by divine right, trying to protect it from the newcomers who wanted their place in the sun.

The inland marine underwriter, unlike his fire brethren, had historically remained aloof from any of the so-called "tariffs" or "conferences," depending more upon "Old Man Experience" to deal with those who strayed from the fold. However, with so many fire companies now in the inland marine business and with chaotic conditions threatening the very life of this new business, the marine underwriters saw the need for a supervisory organization and formed the Inland Marine Underwriters Association to stabilize the business.

With the stock market crash in '29, the luxuries such as jewels, furs and fine arts, which furnished so many of the premiums to the marine underwriter, were either put away for safekeeping or uninsured, and the marine market, which had been built up to feed upon a considerable volume of premium, had to seek new fields and went into those that belonged to the fire and casualty underwriters and under the guise of writing transportation floaters, covered goods in warehouses. In a short space of time, the nationwide definition of the insuring powers of marine writing companies was adopted by the insurance commissioners and a joint committee of fire, casualty and marine men was named to interpret this definition and consider new problems.

IN THE thirties, the ocean marine underwriter settled down to a steady pace and was providing cover for a steady flow of exports to a world preparing for the great carnage of World War II. The signs were ever present to him, with America producing in great quantities machinery and even armament for our subsequent enemies and with tremendous shipments of scrap iron, which were later to come back to us in the form of bullets. The Sino-Japanese War, the Italo-Ethiopian War and the Spanish Revolution were all proving grounds, even for the marine underwriter, who at that time was covering war risks. However, when the war actually came, he was unprepared "actuarially" because of necessary restrictions as to censorship, as he did not receive news of sinkings soon enough to keep current rates to a proper level, with the result that in one year when the submarine wolfpacks were running rampant, the profits built up over the previous many years' writings were quickly dissipated.

In England, the government revived war insurance, the rates for which were invariably lower than the open English market. The theory was that since the cost of war risk insurance played an important part in the aggregate cost of the materials of war, foodstuffs, etc., and this was a government expense, it would be cheaper to absorb it at the source.

In this country, the War Shipping Administration was formed to handle the administration of the ever-increasing fleet of freighters being turned out. This included the management, chartering to operator, etc. The next step was the creation of a fund to insure war risk on American bottoms. Even though operated by private companies, the rates charged were invariably less than the insurance company market. With the advent of price controls, it was but a short step to the writing of the marine risks (other than war) on commodities such as coffee, wool, etc., imported, for here again, the cost of insurance being a factor in the over-all cost of the product, it was necessary to control this in order to keep a ceiling price. Notwithstanding the ventures into war risk insurance by the various governments at war (and there were other governments so engaged) the American underwriter did a considerable marine and war risk business, for there were many commodities exported other than lend-lease and many were imported other than those controlled by price ceilings, all of which were insured by the American marine underwriter

E. D. Lawson, western manager of the Fireman's Fund, is regarded as an authority on ocean and inland marine insurance. He is essentially a business getter and has made new records of production since he took charge of the department. Before assuming his present position, he had charge of marine in the west. He is water minded. He owns a cabin cruiser and uses it in the summer time as the family home, going about Lake Michigan or venturing further on other of the Great Lakes.

E. D. Lawson

Mr. Lawson is mechanically minded. He would have made a great craftsman. He has skill and an artistic sense. At his home are hundreds of works from his hand. He even made a violin. There is nothing in the way of workmanship in materials that he will hesitate to undertake.

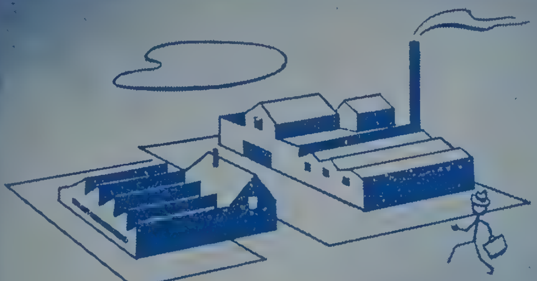
The ocean marine underwriter profited by the mistakes of the previous war and in order to maintain uniformity of war risk rates, formed the American Cargo War Risk Exchange, which was followed shortly by a surcharge agreement, by which an increase in marine rates was maintained by practically all of the companies, the reason being the increased hazards of marine risks as a result of curtailing of navigation aids, running in blacked-out convoys, inexperienced seamen, longshoremen, etc. that developed out of the war.

With the close of the "shooting" war, war risk will undoubtedly be carried for many years, just as in the case of the last war, for protection against the many mines which are still a menace to navigation.

Barring the junking and giving away to other nations, of the tremendous fleet of cargo vessels flying the American flag, the American underwriter looks forward to a postwar world commerce and trade supporting American bottoms.

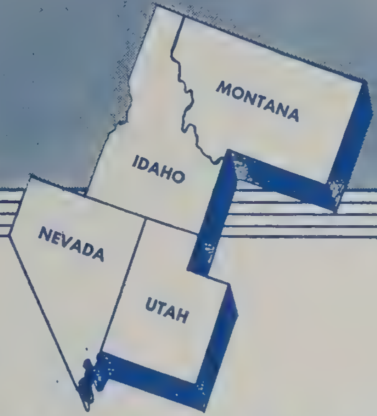
The oldest active agency of Home of New York is the Lindsay-Brown Company at Detroit. It started in 1853 as Strong & Chittenden, becoming Strong & Lindsay in 1865, Lindsay-Brown Insurance Bureau in 1904, and Lindsay-Brown Company in 1918. Today it is operated by John F. Cole and John F. Cole, Jr.

The Campbell-Page Company at Springfield, Massachusetts, has had a continuous existence since 1866, and has represented American Surety since 1902. Originated by Joseph C. Pynchon and Charles Marsh, Fred M. Campbell is now in full control.



INDUSTRIAL LIABILITY & COMPENSATION

AUTOMOBILE



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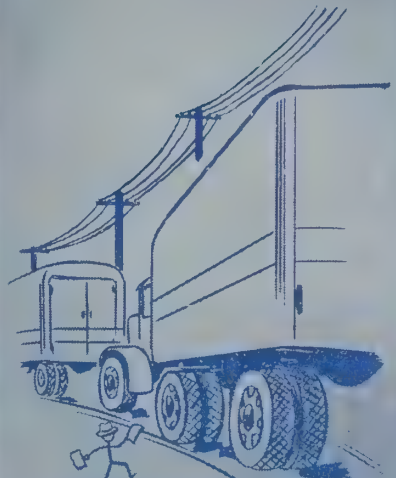

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The green years of

The National Underwriter

BY J. H. HIGGINS

OUT OF the mist and fog of more than 40 years, I am supposed to say something of my early association with The National Underwriter.

It is now 25 years since I had any connection with this newspaper, financial or otherwise. It is true, however, that I have been in reasonably close touch with its affairs all these years. I knew and worked with the two co-founders. I have witnessed its growth and progress.

This is a Horatio Alger American success story. The only difference is that E. J. Wohlgemuth and C. M. Cartwright contributed equally to make it. The partnership between the two men existed nearly 50 years. All their business careers were spent in the management of this newspaper. Their lives were so interwoven in its management that it is impossible to mention one without some reference to the other.

This was a young man's newspaper. The founder, E. J. Wohlgemuth, was a publisher before he was 20. When it was an infant of two years or less, he was joined by another young man, C. M. Cartwright, who became the managing editor and continued at it practically 50 years.

Mr. Cartwright and Mr. Wohlgemuth played the dominant role in its affairs. They dictated its policy, a policy that has always stood for sound indemnity and strong, solvent insurance companies able to make their contracts good when called upon.

The National Underwriter has the distinction of having been born in poverty. There were no "angels" present at its birth in Cincinnati 50 years ago, waiting to back it financially. It never had a financial backer. It was not subsidized by any concern or group. No concern or corporation ever owned a share of its stock. It has always been free, unfettered and independent. Only two individuals during the 50 years of its corporate existence controlled its editorial policy. It has survived three or four wars, numerous depressions, and the usual ups and down to which any private enterprise is subject that depends upon public favor for its success. It survived the competition of the long established insurance journals of 50 years ago.

It survived the opposition of some officials of some very staunch insurance companies. They never wanted it to succeed. Starting work as I did, when this newspaper was an infant, I felt this opposition. These men believed there were enough insurance journals. Knowing these men as I did, I believed them honest. However, there were some other officials who were not even honest. They did not want it to succeed. All they wanted was to be left alone. They were left alone entirely too long for their own good and the good of their policyholders. These men were connected with a few life insurance companies. Their dishonesty and mismanagement was brought out in the open during what some of us recall as the Armstrong investigation, that started Charles Evans Hughes on a distinguished political career. Some of these officials lost their jobs. Some became expatriates or exiles from their own country.

This investigation furnished the opportunity for a young reporter to distinguish himself in a remarkable piece of newspaper reporting. Mr. Wohlgemuth in his middle twenties went to New York to cover the investigation. He was sending so much warm copy to the paper in Chicago that the conservative managing editor, Cartwright, refused to use it. The editor was of the opinion the reporter from Cincinnati did not have the right slant on the investigation or the far reaching effects it was to have on the life insurance business. After the investigation I heard the two young men laugh about it. The reporter owned a controlling interest in the newspaper. He had it within his power to call for another managing editor. He did nothing of the kind. He knew the managing editor was responsible for what went into the paper. Later on Mr. Cartwright said to me that he made a mistake when he refused to use all of Mr. Wohlgemuth's copy on the Armstrong investigation. Wohlgemuth was right. He did have the right slant.

AFTER his honeymoon E. Jay returned to work with all of his youthful energy, daring and resourcefulness. The business department had not been going so well. Our competitors were running rings around us. We had to like it. We were a bit discouraged. We had been listening to other offers and propositions, some of them attractive. His re-entry into the business was a transfusion the anemic business department needed. He took complete control of the business department where he was badly needed and really belonged. This relieved Mr. Cartwright, who had carried the burden of the business department along with his editorial work. He was now able to devote all of his time to the editorial responsibilities of the paper that he has made famous.

E. Jay was a practical dreamer with the ability and faculty of making most of his dreams come true. This was the dawn of a new era, the beginning of the golden age of insurance journalism. It was the beginning of the green years that I spent on this newspaper. The professional promoter was abroad in the land. Fresh capital was being invested in new insurance companies. The paper had now developed an income. It was growing, thriving and prospering. We were over the detour, we had left the low road of discouragement. We were now on the high road to success. Campaigns to increase circulation were under way. Branch offices were being opened in principal cities between Boston and San Francisco.

J. H. Higgins years ago

J. H. Higgins, 1946

J. H. Higgins was the first field man that E. J. Wohlgemuth appointed, and he traveled over the entire country, but chiefly throughout the central west. He occupied the post of vice-president.

At the time Mr. Higgins joined The National Underwriter, Mrs. Higgins happened to be in Chicago. He had her visit The National Underwriter office to get a book of pointers and household inventories. That is all the company had to sell in those days. Mr. Higgins told his wife he was going to work for the company whose office she had visited in Chicago. She said, "You will never get your money . . . I wish you would get a job with a real concern."

E. J. Wohlgemuth was a man of many parts, keen executive, fine organizer, a good salesman, daring and resourceful. He could peer further into the future of the insurance business and judge the trend of it better than any man this business ever produced.

Mr. Wohlgemuth and Mr. Cartwright divided their work, each doing what he was best fitted to do. Neither seemed to bother too much about how the other handled his end of the business. There was no bickering between them, no harsh criticism. Each seemed to have implicit confidence in the other. They created a smooth two-man team. They pulled equally on the traces.

Long distance phone calls were practically unknown, though the editorial department was in Chicago and the other headquarters in Cincinnati.

IF THE management were ever tempted to make use of what the public loves to call the power of the press, it would have been at the time I began work. Finances were not so easy. We were not always demanding the best room in the best hotel. I do not mean to infer that we did not travel in comfort. We did. We just had no money to throw away. The management knew all about that so-called power of the press. They knew that when it is abused, it loses its power.

There are more employes who have served longer with this concern than any I know of, in proportion to the total number. Some have spent their entire business career with it. Some started as office boys and now are middle aged. They occupy positions of importance. This concern has always been free of the caste system. There were never any internal politics, no personality conflicts, no favoritism. We were all on our own. Every round on the ladder of success so far as is applied to this organization belonged to those who first got on it. The office boy could always look forward to promotion. President Howard J. Burridge started as an office boy. Looking back more than 40 years I recall only half a dozen employes who did not make good.

This has never been a sensational or spectacular newspaper. For 50 years it has published insurance history as it was made. The management was more than fair to our contemporaries on more than one occasion, when conventions were not represented by some of our competitors. Mr. Cartwright sent them a report.

When things were going well for the paper Mr. Wohlgemuth would get a new idea—and he always had a wealth of them—and would then spend money like water. This was the signal for some of us to squawk or complain. One would think it was our money that was being spent and that it was our last dime. We were afraid the business would lose money. That was just our way of showing loyalty. There have been many times when the management would go to the trouble of telling us why they thought doing certain things in a certain way was sound business policy—as though it was any of our business. Mind you this was long ago. It has always been the policy of this concern. There is something about the organization that gets in the system or blood stream. Once a National Underwriter man, always one.

To the Officers and Staff of The National Underwriter, we at Printing Products Corporation extend most hearty congratulations on the Fiftieth Anniversary of their first issue.

During four decades of printing The National Underwriter we have composed, printed, bound and mailed more than one hundred and twenty-five thousand pages of news and advertising. The value of this service to the Insurance Men of America is attested by the hundreds of congratulatory advertisements and messages in this, the Golden Anniversary number. We are proud of our part in their achievement, and bespeak for The National Underwriter another fifty years of distinguished service and success.

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Insurance Abroad and World Trade

American participation is substantial and is growing

BY N. H. WENTWORTH

IN recent years Americans have acquired a profound and steadily increasing interest in activities and developments beyond our frontiers. The military campaigns, the journeys of our millions of servicemen to every section of the globe, and the postwar efforts of the United Nations have served to focus the attention of our people on the international scene in an unprecedented manner. This new interest in the political aspects of our relations with other countries is being gradually followed by fuller understanding of the economic role played by our industries and commercial institutions in the complex pattern of international affairs.

Many Americans have long been conscious of the importance to our own and world economy of the activity of our great industrial firms such as the oil companies, the producers of automotive equipment, electrical supplies, textiles, drugs, and the exporters and importers of basic commodities, cotton, wool, grain, coffee, rubber or tobacco. Many are familiar with the contribution of our great carriers in international trade, the airlines and the steamship companies. History has emphasized the significance of American financial institutions in providing credit and the instruments which make this important trade possible. But it is probably safe to say that few, even among the numerous and relatively well informed members of the insurance fraternity, are aware of the role played by American insurance in the close-knit world of today.

This is not particularly surprising when we consider that only during the last quarter century has American insurance taken a position of any consequence in the markets outside the North American continent. Marine underwriters in the United States had, of course, maintained relations with correspondents and claims agents in the ports of the world for many years and their names were well and favorably known in many lands, but, for the major part, this association with foreign markets was limited to the adjustment of claims resulting from their American writings and, in most instances, they relied upon the services of competent local men of other nationalities.

Until World War I brought a temporary departure from traditional American isolation, our fire and casualty underwriters took relatively little interest in the markets beyond the seas. Immediately prior to the termination of that conflict, however, a number of the larger companies decided that the time had come for American insurance carriers to broaden their scope of activity and follow American industry into the field of foreign trade. This spirit was shared by leading American agents and brokerage firms who saw an opportunity to compete for the representation of their clients abroad as well as at home.

The next 20 years witnessed a steady growth as American insurance sought to keep pace with steadily expanding industry overseas. Gradually there developed an experienced corps of American underwriters trained in the complexities and specialties of insurance practice in these foreign lands, capable of competing with their colleagues of other nationalities, notably British, who had already established an enviable reputation in international insurance. In Latin America, the Orient, Europe, Africa, and the Middle East branch offices and a wide network of agencies have been established by American insurance companies until today there is scarcely a portion of the globe which, if free to world trade, is not covered by their facilities and serviced by American insurance men aided by competent domestic staffs. At times the going has been rough, the lessons costly, but today the insuring public, American and foreign, can and does rely on the protection and service provided by these companies and these men, whether in fire, casualty or marine insurance.

AMERICAN participation in world-wide insurance takes many forms. These can be divided into two broad categories.

First there is the service and protection furnished American clients in respect to their properties enroute to or located in territories beyond our borders. In this important function all elements within the American insurance industry participate. Brokers, agents and company carriers study the problems and provide the protection required by each individual client engaged in international trade.

Second is the participation of American insurers in the internal commercial life of other countries. This phase of our activity is as varied as the foreign markets are numerous, and we shall not attempt to give more than a cursory glance at some of the more significant features in relation to world trade as a whole.

Recently promoted to the position of field superintendent of the American Foreign Insurance Association, N. H. Wentworth has had a long and varied experience in foreign insurance. A Phi Beta Kappa at Dartmouth College, his interests have always turned toward the field of international commerce. Early travels through Europe and a voyage as merchant seaman to the countries of South America confirmed his decision to seek a career in American business abroad, and in 1933 he joined the A.F.I.A.

N. H. Wentworth

He was sent to Paris the following year to serve in A.F.I.A.'s control office for Europe. In 1939 he became manager and almost immediately saw his territory broken up by World War II. In 1941, he returned to the United States by way of Spain and Portugal and was appointed Boston manager of the Home fleet. He served two years overseas in combat intelligence.

Rejoining the A.F.I.A. in 1945 he spent several months last year in Europe reorganizing its operations in Scandinavia, Holland, Belgium, France and Spain. He will leave shortly for North Africa and the Mediterranean area.

The first category, the American or home market, providing coverage for American property located abroad, is of immediate interest to all American industrial and commercial firms and to the network of insurance producers throughout the length and breadth of the United States. In the postwar expansion of American foreign trade many firms are seeking new markets overseas. The destruction of capital goods during the years of the war and the introduction of American commodities by the military forces combined to produce a widespread demand of gigantic proportions for American products. Loans, relief projects and international trade agreements help to provide the necessary credit to finance these exports and at the same time an American public, hungry for many commodities and products which have been in short supply, provides a ready market for goods flowing in the opposite direction.

But alas, the normal hazards of world trade have been further complicated by man made barriers hastily constructed by the various nations of the world in an effort to save war torn national economies from ruin. Exchange control has reared its ugly head in many of the countries with which we trade. The highly prized "dollar" is hoarded by each government and parsimoniously allotted to importers according to the interests of the national economy. In the face of this controlled economy the American manufacturer is confronted with the necessity of assuring himself that, come what may, he will not find himself the proud possessor of untold quantities of some dubious foreign currency in return for his own precious product. The only sure way to guard against this contingency insofar as the insured perils are concerned, is to obtain dollar coverage on forms which he understands, and this is available in most convenient shape in his home market with American carriers through his regular broker or agent.

Furthermore, it is not only the exporter or the importer who has a very real and newly accentuated need for this protection. American firms with plants or merchandise located abroad, and Americans traveling or on assignment in foreign lands, all have the problem of replacement of their property, in case of loss, in territories where goods are scarce and of poor quality, where inflation is rife and dollars unavailable. By virtue of the fact that American dollar insurance protection is available to them in nearly all cases, irrespective of where it may be, their problem shrinks to the same proportion which would confront them if they and their property were located at home in the United States. Their broker or agent can readily assist them to solve it, and the far flung branch offices, overseas, of American insurance companies are ready to give them the service and assistance to which they have become accustomed.

CORPORATIONS with long and successful records in business abroad find it increasingly helpful to draw upon information concerning foreign insurance laws and regulations which is constantly funneled back home by the managers of American insurers stationed throughout the world. Newcomers to foreign trade may find such procedure essential and a very important new member of the American insuring public, the soldier on occupational duty, is glad to learn that his insurance requirements, including liability, which often is obligatory if he operates a car, is available to him through his agent back home.

While the universal hazards of fire and explosion present a variety of problems for analysis and schedule preparation by companies engaged in foreign insurance, there

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are, of course, many less common perils which require an even greater experience in foreign underwriting.

Strikes, riots, thefts, rising waters, earthquake, fire and shock, windstorm and business interruption are a few of the hazards which have sharply varying degrees of frequency and severity in foreign lands. Unlike the United States where riots, when they occur, are often economic in origin and frequently the aftermath of strikes, in foreign countries they may be the result of famine or religious, political and social unrest, thus menacing entirely different types of physical property. In certain countries earthquakes are so frequent that there is a general demand for protection and in others windstorms may be so violent that such coverage is essential to the American trader with interests in those areas.

Various forms of use and occupancy and of profits insurance are available to round out the protection required by American clients. Today, abroad as in this country, minor damage can well result in serious and prolonged periods of business interruption. Fixed costs, many of them determined by local laws, and a universal trend toward inflation and rising expenses, contribute to the growing demand for this protection which is often unavailable in foreign markets.

Due to the fact that specific insurance forms and practices vary considerably throughout the world and often differ from those which are current in this country, many American corporations prefer contracts based on American forms and written in the United States. The desire to standardize their coverage may also be a factor in this preference. It is not unnatural for such firms to prefer contracts and clauses with which they are familiar, in a language which they understand, and to desire a uniform type of coverage in respect to all their property, whether located at home or in a variety of countries abroad. In this way they can avail themselves of the judgment and experience of their own officials in America and also of their insurance and legal advisers here at home. In the last resort they are assured of the protection and jurisprudence of American courts.

There are, however, further complications which have often to be considered when arranging insurance on American property located abroad. In certain countries insurance of industrial and commercial properties is compulsory. In others, insurance, if contracted, must be placed with state owned carriers. In still more numerous cases there are stringent regulations governing the manner in which property situated in those particular countries may be insured with private companies. According to the laws of some nations, insurance, whether written locally or outside the country, must be placed with companies, domestic or foreign, which are formally authorized to operate in the country in question. Generally, one or more American insurers are entered in each country and are therefore in a position to conform to such requirements either through issuance of a contract in the United States or by writing a policy through their branch office in the particular territory concerned.

Loading a locomotive for foreign delivery.—Courtesy Board of Underwriters (Marine), New York.

Marine insurance is usually subject to less stringent regulations but here again the fact that many American companies are operating directly in the local marine markets abroad enables them to provide whatever form of coverage and service is required and facilitates the prompt settlement of claims abroad as well as in this country. In the casualty branch, where local laws and customs frequently pose problems for the American clientele and where claims not infrequently lead to litigation, it is of special benefit to the assured or to his branch organization to have the assistance and counsel of the local management of American insurance companies.

In the preceding paragraphs we have reviewed a number of the problems associated with one side of the foreign insurance business, the coverage of American properties located in foreign lands, and have touched on the advantages derived from insurance contracted in the United States. We can now turn to the other side of the business which in many respects is complementary to the first, the local activity of American companies in the insurance markets overseas. There are many instances, of course, where, for one reason or another, the insurance requirements of American firms overseas are handled locally and to that extent they form an important part of the foreign portfolios of American insurance companies. By far the major portion of these portfolios, however, is composed of policies covering the properties of domestic firms in these various foreign countries. In much the same manner as a British or other foreign company working in the United States, American companies abroad operate through an extensive branch office and local agency system.

Most frequently a branch office is established in the principal city or port of a country or group of countries. The branch management supervises the territory, appoints general agents in the larger cities, underwrites the business produced by these agents, collects balances, adjusts or supervises the adjustment of claims, maintains contact with the local governmental authorities charged with the regulation of the insurance business and participates in local rating and advisory committees. Other duties include the servicing of American accounts written in the United States and the analysis and subsequent report on all legislation and regulations affecting the activities of the companies and the insurance interests of American clientele at home.

Strangely, although most Americans and all of the insurance fraternity are familiar with the success of foreign insurance companies in this country, a good percentage are apt to register some surprise on learning of the extent of American insurance activity in these foreign lands.

The important and steadily expanding position in foreign markets which American companies have achieved has not been attained without great effort and more than a few set-backs. When American companies first ventured abroad a scant quarter century ago they found that British, Swiss, Italian, German, French and Scandinavian companies were already active throughout the world both in the field of direct insurance and in reinsurance of local companies. Many of the latter, in fact, had been organized or purchased by companies of these various nationalities, a matter of growing significance on account of the ever increasing nationalism in insurance which marked the legislation of many of the smaller countries prior to and during the recent war. Unfortunately, it now appears that this economic nationalism has taken a new forward thrust in the postwar era.

It is not unnatural that American insurers found, in many parts of the world, that local agents and companies, accustomed to long and satisfactory association with various European companies, were reluctant to change their allegiances and were sometimes doubtful of the advantages to be found in close collaboration with American companies from far across the seas.

Gradually, however, in insurance as in other fields of world trade, the peoples of other nationalities came to recognize the quality of American enterprise, the strict observance of contractual relations, the energy and initiative in production, the unrivaled protection of American capital and currency, the technical skill in underwriting and, above all, the perseverance in the face of various obstacles including riots, conflagrations and wars. Slowly but steadily American insurers learned the customs and requirements, the opportunities and the pitfalls of the industry in the respective countries, and, as a result, it has been possible to move gradually ahead. Yet the progress to date is small compared to the total possibility, and the aggregate foreign business of American companies still lags considerably behind the corresponding figures of several of our competitor nations. It is probably fair to predict, however, that having found the right road and having weathered the reverses and temporary losses of portfolios in some areas,

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When you handle the insurance on your client's foreign properties or other interests, the most important factors to you—and to them—are the financial strength, the reputation and the service facilities of the underwriter. That is why so many agents and brokers place their foreign risks with the American Foreign Insurance Association.

American Foreign Insurance Association was the first American group to enter this vital field—in 1918. It is comprised of 22 prominent Fire, Marine and Casualty Insurance Companies of unquestioned financial strength.

American Foreign Insurance Association has more than 200 branch offices and agencies located in the principal cities of the world, through which it provides international insurance facilities for American business.

American Foreign Insurance Association enjoys a distinguished record of paying all just claims promptly.

Yes, when you place your foreign risks through the American Foreign Insurance Association, you are in good company—in fact, the best.

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RATING AND FORMS IN EARLY YEARS

Recollections of fire business and Leaders in West beginning in 1887

BY W. S. FOSTER

I will start these observations at the time the New York standard form was adopted in 1887, prior to which each company prepared its own policy conditions according to its own notions. While the companies quickly adopted the new standard policy for general use, they were blocked in that endeavor by various state legislatures, including Iowa, Minnesota, Wisconsin, and Michigan in the west, which adopted standard policies of their own. While nation-wide uniformity had not been accomplished, yet it had become reasonably certain at least that all fire policies in any given state were uniform as to policy conditions.

Agent's commissions, which were once agreed upon between company and agent in a sort of go-as-you-please way, were receiving thoughtful attention similar to that accorded policy conditions and in the late 1880s the so-called Union company aimed at uniformity by means of the "15% pledge" whereby agents agreed to accept not more than 15% commission from any company or on any class of business.

But that didn't prove to be the answer and in the 1890s the union companies adopted the graded commission system accompanied by "separation" whereby commissions of 15, 20, and 25% were allowed on specified classes of property to agents representing only that class of companies. This plan, at least so far as commissions are concerned, prevails with little change to the present day. Both the "15% pledge" and the graded commission plan as described applied only outside the so-called "excepted cities."

CHICAGO, when THE NATIONAL UNDERWRITER was launched, had not reached the highest number of western department offices that it afterward gained. Closely rivaling Chicago in importance was Cincinnati with the Aetna under J. B. Bennett; the Royal under Dr. John S. Law, afterward his sons, Law Brothers; the Liverpool, J. M. DeCamp; Phoenix of Hartford, H. M. Magill; and many others. The Aetna also had an important office in Omaha; the Royal had another one in Chicago under Charles H. Case, and the Liverpool one under W. S. Warren. Other Chicago managers of that day were Major Amos J. Harding of the Springfield; Eugene Cary, German American; J. J. McDonald, first Continental, afterward Connecticut; Thomas R. Burch, Phenix of Brooklyn; Abram Williams, Connecticut; G. H. Lermit, Northern of England; P. D. McGregor, Queen; I. S. Blackwelder, Niagara; and others which escape me at the moment. Other company offices were in Denver and one or two in Louisville.

With those widespread locations of company offices THE NATIONAL UNDERWRITER need not have been surprised to find the western office of the North America in Erie, Pennsylvania, J. T. Downing, general agent. But why Erie?

Mr. Downing, a lawyer with a local insurance agency on the side, had been elected district attorney of Erie county, which assured him of a moderate income for that term at least and fearing to burn his bridges behind him he stipulated on his appointment as general agent in 1864 that the department remain in Erie county. There it did remain for 45 years until Mr. Downing reached the ripe age of 83, when it was removed—1910—to Chicago under W. N. Johnson, general agent.

It was in that Erie office that this writer made his bow as office boy on July 7, 1885.

Of the western North America men of that day who achieved prominence was the beloved assistant general agent, Ernest L. Allen, who became president of German American; Joseph H. Kelsey, state agent in Iowa, who became United States manager first of the Aachen and Munich, afterward of the Tokio; George M. Fisher, special agent in Ohio, became manager of the Palatine and later of the Railway Underwriters; James C. Johnston, state agent in Kentucky and Tennessee, became Pacific Coast manager of the North America; Charles H. Barry, state agent in southern Illinois, became western manager and later president of Pennsylvania Fire; Charles Lyman Case, best known as U.S. manager of London Assurance, was at the time we are discussing a local agent in St. Louis, but he had previously been North America state agent; "the first state agent west of the Mississippi," he told me, and his territory was "west of the Mississippi." So it may be said that those North America men of the prairies of that day gave a fairly good account of themselves.

W. S. FOSTER

W. S. Foster, who was formerly assistant western manager of the North America and who is now retired, resides at 401 Home avenue, Oak Park, Illinois. Mr. Foster in his day was a splendid underwriter, an historian, and an observer of times and movements.

In his contribution he has taken a bird's eye view of the period when he was active in the fire insurance business. His observations show a keen grasp of fire insurance problems.

RATING organizations as we know them were unknown at the time we are discussing, but the western states under Union jurisdiction were supervised somewhat roughly by local board commisions 1, 2, 3 and 4; and rates were usually made by committees of field men of various companies who visited towns and adopted rates largely based on judgment, for scientific rating schedules were unknown.

Some of the printed tariffs of that time were very crude affairs such as one that the writer has always wished he had saved. It read about like this:

Buildings on the east side of
Main Street $3
Buildings on the west side of
Main Street $4
Stocks ....50 cents less.

It should be explained that contents at that time invariably took a lower rate than the building on the theory that one could rush into a burning building, grab a valuable item and take it to a place of safety. Nevertheless much thought was given to the problem of intelligent fire insurance rating which culminated in the course of time in a rating schedule published by President F. C. Moore of Continental. Various other attempts were made to arrive at a satisfactory method of measuring fire hazard which led eventually to the so-called Dean Schedule devised by A. F. Dean of the Springfield which appears to have met the test of time better than any other.

AT the time of which I write each company prepared its own dwelling, mercantile and similar policy forms and clauses. Even the lightning clause was omitted from many forms and if wanted it was effected by separate rider. Coinsurance was unknown and the three-fourths value clause was frequently employed to keep insurance down. When coinsurance finally came into vogue it baffled many men who never learned what it was all about. This writer easily remembers a certain schedule employed in one of the states which offered a rate concession for the attachment of the three-fourths value clause and a further concession for the use of the 80% coinsurance clause; a specified reduction for limiting insurance to three-fourths value but a further reduction for maintaining 80% insurance to value. The coinsurance clause too was often confused in men's minds with the pro rata distribution clause when a policy covered in two or more locations. I remember how excitedly one underwriter claimed that it was utter nonsense to attach an 80% coinsurance clause to a policy containing a pro rata distribution clause, he having quite overlooked the fact that the distribution clause simply assigns the policy liability to each location in the ratio that the value in each location bears to the total value in all locations without any stipulation as to insured maintaining 80% insurance to value or becoming a coinsurer.

IT was during the first decade of this century that use and occupancy insurance came into vogue, but was not written to any great extent until World War I, when it assumed great importance. After that it gained great headway and reached its present standing.

Rent and rental value insurance likewise became a familiar subject of insurance, more especially in connection with dwellings and other nonearning properties, although after all is said and done if closely analyzed it resembles U. & O.—or business interruption insurance as it has come to be known (somewhat inaccurately or inadequately, in this writer's opinion).

During the great increase in property values in the early 1920s leasehold interest insurance became a lively subject, presenting immense values

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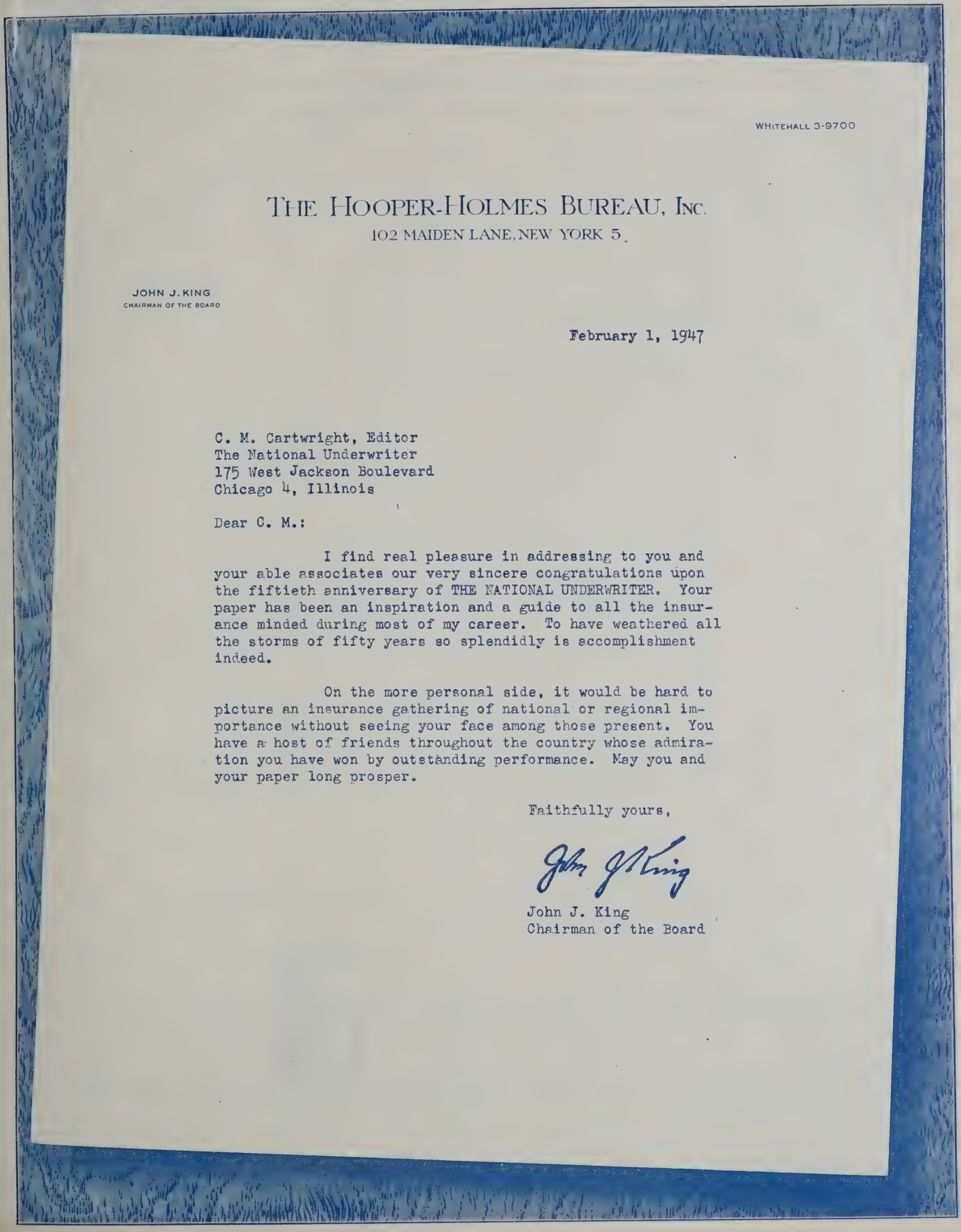
Foreign Insurance

occasioned by the war, American insurance companies, if supported by their government and by American industry abroad, will go forward until they achieve a position commensurate with our role among the nations and in keeping with the capacity and strength of the American insurance market.

Apart from the strictly economic role of American insurance companies operating in the foreign field, it is interesting to consider a further function in the closely integrated world of today. The men in the overseas branches of these companies serve as outposts of American democracy with our economic philosophy of free enterprise and competitive service. Few, if any, of the various groups engaged in foreign trade are better fitted or more ideally situated than these insurance men to act, during the course of their daily routine, as intermediaries between the thoughts and practices of the American people and those of our contemporaries in the various nations of the world. They have the opportunity to interpret to other nationals the economic, political and social viewpoints prevalent in the United States and to convey back to our own countrymen the currents of popular opinion in other nations. Their normal work gives them a circle of acquaintance as wide as industry or commerce itself and requires direct contact with the citizens and subjects of other lands. In order to work closely and successfully with these people it is necessary to understand them, and to the extent that our insurance representatives effectively fulfill this informal diplomatic role, they contribute to the prospect of peace and harmony among the United Nations.



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JOHN J. KING
CHAIRMAN OF THE BOARD

February 1, 1947

C. M. Cartwright, Editor
The National Underwriter
175 West Jackson Boulevard
Chicago 4, Illinois

Dear C. M.:

I find real pleasure in addressing to you and your able associates our very sincere congratulations upon the fiftieth anniversary of THE NATIONAL UNDERWRITER. Your paper has been an inspiration and a guide to all the insurance minded during most of my career. To have weathered all the storms of fifty years so splendidly is accomplishment indeed.

On the more personal side, it would be hard to picture an insurance gathering of national or regional importance without seeing your face among those present. You have a host of friends throughout the country whose admiration you have won by outstanding performance. May you and your paper long prosper.

Faithfully yours,

John J King

John J. King
Chairman of the Board

that needed protection with at first no common formula for writing it. However, the formula was soon adopted and such protection remains available for those who need it—always the tenant. U. & O., it might be said in passing, is always for the occupant, whether owner or tenant.

Profits insurance came into much demand by manufacturers having large stocks of finished goods on hand awaiting delivery, for all the standard policies, I believe, limited liability to the actual value or cost to replace with materials of like kind and quality. Insurance on the manufacturer's profits over and above the cost of producing was therefore made available and quite freely written. Unearned premium insurance became available for the property owner who wished to buy term insurance for the saving in cost, but who hesitated to do so for the reason that if the property sustained loss soon after the policy was written he found himself out of pocket a three or five year premium while an annual premium would have purchased equal protection. He was therefore offered insurance protecting his unearned premium, meaning the premium that he had paid for un-needed insurance from the date of loss to the expiration of the policy.

Besides the foregoing other losses of a consequential nature may be protected and still others are bound to arise that are peculiar to different classes of property.

WHEN THE NATIONAL UNDERWRITER was launched it found the fire companies confining themselves strictly to fire insurance, usually, but not always, including the hazard of lightning. For sometimes, especially on electrical properties, the lightning clause was taboo.

But in due course an insistent demand arose for protection against the destructive tornadoes that now and then swept portions of our country, especially the west. It cannot have been far from the beginning of this century, therefore, when some of the companies timidly began to write tornado insurance. It was an entirely new and different venture and they had to proceed cautiously and cut their cloth according to actual experience both as regarded policy contracts and rates. As underwriters became familiar with this class they standardized both policy forms and costs and in due course abandoned the caption "tornado" for the present and more inclusive name of windstorm insurance. And so the evolutionary process has gone through the gamut of hail, rain, explosion, earthquake and flood insurance, and in automobile departments such far-away-from-fire subjects as theft, collision, towing and various other hazards.

Expirations Ownership

New York Underwriters has always prided itself on being the first company to give official recognition to the fact that the agent owns his business. Alexander Stoddart, who was head of New York Underwriters, took this position and announced it to the agents of his institution. Theretofore, as a general rule the companies held that they owned the expirations. From the time New York Underwriters issued its edict, there was a general clamor for it to be adopted by all companies.

Record Challenges Future

Casualty business will continue to grow in complexity and in demands on practitioners

BY H. P. STELLWAGEN

FIFTY years is a respectable age for a business—be it publishing or insurance. Compared with the extreme youth of so many influential magazines and thriving businesses, 50 years seems a ripe old age. On the other hand, if one goes back to Gutenberg and the Chinese for his printing and to Hammurabi and the Chaldeans for his insurance, 50 years is only a fleeting moment in the march of time.

The life span of THE NATIONAL UNDERWRITER is approximately the life span of casualty insurance in the United States. Fifty years ago casualty insurance was a small accident and liability business with limited application to the nation's economy. Today casualty insurance is a thriving industry developing an annual premium income of more than $2,000,000,000. It touches the private and business affairs of most individuals and is bound up with nearly all phases of commerce and industry.

IF a psychiatrist were to write the history of casualty insurance, he would note two facts—first, the early and faithful marriage of the business to the science of rate-making and, second, its fickle dalliance with the art of underwriting.

The early casualty underwriter was a true practitioner of his art. Without past experience or precedent, he was frequently called upon to make his price and take his chance. The six-foot manual shelf had not then been invented and employer's liability rates were snatched from the gusty breezes of John street. True, there were some guideposts for the underwriting of this new business. Teams' experience was available, for example, and it was eagerly conned to develop a basis for the underwriting of automobiles. A system of classifications for employer's liability risks had gradually evolved, mostly by the trial and error method, and it was studied for the new-fangled workmen's compensation business.

The early days of the century produced many underwriting geniuses. Gaty, McCaffrey, Murray, and Bond were among the great.

Rate-making by individuals and by informal committees gradually gave place to rating organizations. The Workmen's Compensation Service Bureau came into being, later to become the National Bureau of Casualty & Surety Underwriters. The National Council on Compensation Insurance was instituted as a non-partisan rating organization in the compensation field.

As premium income rose and rates and forms became more and more standardized, the emphasis on underwriting waned. Indeed, the term "underwriter" was broadly applied to rate clerks who knew how to read manuals. As prices rose in the stock exchange in the twenties, premium volume became the dominant objective of too many companies. New companies were organized and old, staid companies took on a sudden burst of activity. The inevitable result was that soon after the stock market crash there came the casualty crash. Some companies were forced into liquidation. Others acquired necessary surplus funds through reduction of capital, through borrowing or through contributions of affiliated companies. All companies began to retrench and reorient themselves with the old but temporarily forgotten principles of sound underwriting.

After a decade of underwriting losses, the business began in 1935 again to show an underwriting profit, a record which has been maintained until 1946. It would seem to be a truism of the business that the art of underwriting thrives under competition and free enterprise and hard going, and wanes under uniformity and monopoly and easy times.

FROM the beginning casualty insurance attracted the attention of outstanding statisticians and mathematicians. Names like Rubinow, Mowbray, Whitney, Flynn, Craig, Arne Fisher, Woodward, Greene, and other mathematical luminaries appear again and again in the early discussions of casualty insurance problems.

In 1909 Stanley L. Otis, actuary of the Bureau of Liability Insurance Statistics, attempted to form a society of actuaries and statisticians. In that connection he wrote to the heads of companies transacting liability insurance in the United States a letter in which this interesting bit appears:

> "For upwards of twenty years the business of liability insurance has been actively prosecuted in the United States until today there are twenty-three companies writing this kind of insurance with annual premiums of $23,-500,000."

Five years later, on November 7, 1914, the Casualty Actuarial Statistical Society of America got under way by holding its first and organizational meeting. The early pioneers who then assembled had their troubles with this new business of casualty insurance and particularly with the problem of rate-making as applied to workmen's compensation insurance. "Doc" Rubinow, who was the first president of the newly-established Society, made a talk to those present at an early meeting on the scientific method of computing compensation rates. He pointed out that the formula for premiums in any classification is losses divided by payroll plus expense loading, to which observation he appended this statement—"There is only one difficulty about this formula — we do not know the numerator of this fraction, under which condition it is not quite an easy matter to compute its value". He went on to deplore the paucity of experience data and wondered when Nebraska would be able to determine its pure premium on "suspenders without buckles" or Rhode Island on "butchers' supplies".

After some years the Casualty Actuarial & Statistical Society (affectionately known as "Casa" to its original founders) was reorganized and changed to the Casualty Actuarial Society. With a newer group of geniuses it continues to make an enormous contribution to the soundness and resourcefulness of rating techniques. Among the high points in the development of casualty actuarial science and statistics may be noted the compilation and publishing of Schedule Z by the Massachusetts insurance department in 1913, Mr. Whitney's cracking of a quartic equation in order to achieve a scientific basis for experience rating, and more recently the casualty experience exhibit dealing with company expenses.

Casualty rate-making has never swerved from the ideal of scientific method applied to actual fact as reflected by loss experience. Years ago statistical codes were erected by that pioneer, Marcus Meltzer, which anticipated much of the classification rating of today. It is difficult to think of any other business which provides for a cost accounting system so vast and so detailed as does the casualty insurance business. The statistical plans followed by most companies for each of the many lines of business written by them provide a reliable statistical guide to almost every kind and condition of risk.

It should not be inferred that the

H. P. Stellwagen

After graduation from New York University and service in the First World War, Herbert P. Stellwagen entered the insurance business in 1920 as a member of the automobile department of the National Bureau of Casualty & Surety Underwriters. He later became secretary-treasurer of that organization and secretary of the Acquisition Cost Conferences. He joined Indemnity of North America in 1929 as assistant vice-president, later becoming vice-president and executive vice-president of that company. He is president and a trustee of the American Institute for Property & Liability Underwriters and a member of the Casualty Actuarial Society.

Congratulations

*To C. M. Cartwright
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casualty business has allowed itself to become fettered by the inexorable formulae of mathematical commutations, permutations, and probabilities. The very nature of the business precludes that exact measurement by which life insurance rates can be computed. New processes, new industries, and unorthodox risks have required the application of underwriting judgment, and to the credit of the business let it be said that such judgment has been applied with increasing liberality in recent years.

CURRENT casualty insurance contracts bear as much resemblance to their prototypes as modern man does to his Neanderthal ancestor. Some of the liability forms issued 40 years ago were so hedged with conditions and studded with exclusions that the policyholder must have been as bare of coverage as a bobbed-haired Lady Godiva. To cover the third party risk of an individual or a corporation, many policies were needed, each of them so worded and restricted as not to impinge on the coverage given by the other. Comprehensive forms, if thought of at all, were considered dangerous and unsound documents. Then too, restrictions and exclusions were not attuned to the normal conditions and circumstances surrounding the risk insured. It has been said, half in jest and half in earnest, that under an early O. L. & T. policy a landlord had to take care to apply only a very thin coat of paint to his property lest he run afoul of the alterations and repair exclusion. The early policies were indemnity policies and, in the absence of a bankruptcy and insolvency clause, an insurer could withhold payment of a loss if the insured was himself unable to respond to the claimant.

Anyone who views the constant trend of policy liberalization must conclude that the companies have been sensitive to public interest in the coverage which they afford. True, legislation played a part in the liberalization of contracts as in the case of the bankruptcy and insolvency clause, which required the insurer to pay claims which it would otherwise be obligated to pay were the policyholder not bankrupt or insolvent. This legislation had the effect of converting liability policies from "indemnity" policies to "pay" policies.

As time went on, capricious and irritating exclusions were eliminated and coverage was broadened to include practically all operations normal to the risk undertaken. The automobile policy is a good example of this progress. Omnibus coverage, drive-other-car coverage, non-ownership coverage, medical payments coverage, and other advantages were added to the basic form so that today the motorist is covered under every conceivable condition of ownership and operation for which coverage may be rightfully expected.

The latest step in the development of policy coverage has involved the application of the comprehensive or blanket idea to various forms of casualty insurance. The comprehensive personal liability form for individuals, the comprehensive or blanket form for manufacturers and contractors, the comprehensive 3-D form in the burglary and fidelity field are now being offered quite generally in the place of the specialized forms covering selected elements of exposure.

THROUGHOUT its history the casualty business has been intimately and sometimes drastically influenced by legislation. In general such legislation has been of three types —one affecting the nature and extent of policy coverage, the second affecting and sometimes creating the market for casualty insurance, and the third affecting the conduct of the business.

As has already been indicated, state laws changed the essential character of the liability policy by requiring the use of the bankruptcy and insolvency clause. The automobile policy has been extended in scope through the enactment of owner's responsibility laws. Because of the absolute liability provisions of common carrier and financial responsibility laws, the opportunity for recovery by injured persons has risen above the contractual relationship between the insured and the company. The accident and health policy has been affected and generally improved through statutes requiring the use of so-called standard provisions.

Among the statutes which created the demand and extended the market for casualty insurance, the most outstanding were the workmen's compensation laws which established the desirability and in some cases the requirement for workmen's compensation insurance policies. In Massachusetts the so-called compulsory automobile insurance act of 1925, applicable January 1, 1927, provided for the furnishing of security through bonds, cash or insurance upon the part of most automobile owners. Laws or amendments of laws enacted as far back as 1915 provided for the furnishing of security by common carriers of freight and persons. Today such laws exist in all 48 states and the Territory of Hawaii and, here again, although bonds and cash may be furnished as security, insurance is the commonly accepted method of compliance. The Interstate Commerce Commission, acting under the authority of the Interstate Commerce Act, requires evidence of financial responsibility of interstate common carriers before a certificate or permit is granted for their operation. Automobile financial responsibility laws, originally weak in their effect and recently compelling in their provisions, have brought about a sharp increase in the proportion of insured cars to total cars on the highways.

Through revision of the insurance codes in some states and the drafting of new codes in others, there has been a raising of the standards for organizing and operating casualty insurance companies. Capital and surplus requirements, loss reserve formulae, and security funds have been established by statute for the protection of policyholder and claimant. A recent development of far-reaching importance is the enactment of legislation in some states permitting fire and casualty companies to reinsure one another and granting multiple line underwriting powers to both classes of company.

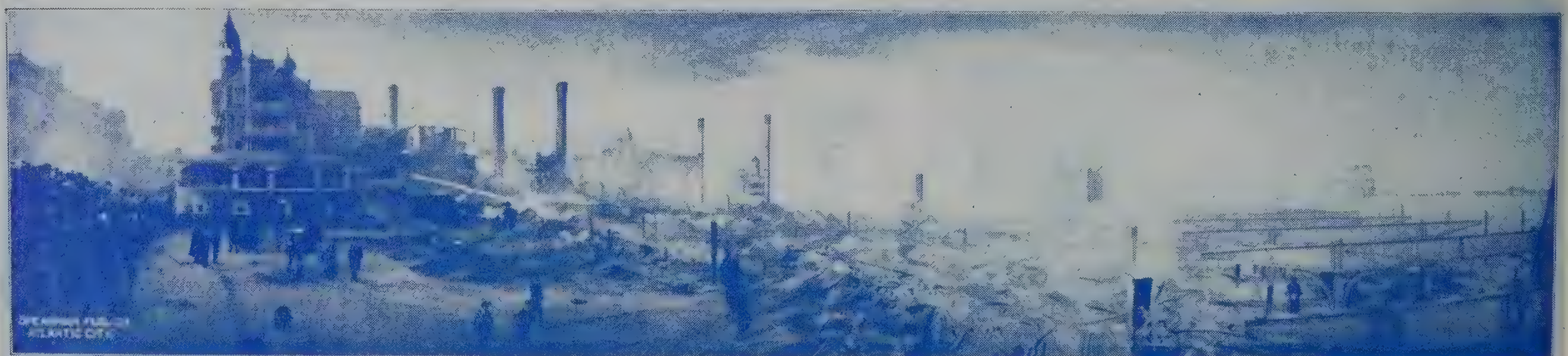
A swift appraisal of the legislation enacted over the past 50 years would appear to establish the fact that legislation which broadened policy coverage or elevated the standards of company and agency performance or pushed back the horizons of the business has been a blessing to the public and a boon to business. Legislation which has frozen policy forms or restricted competition, either in rate or underwriting power, has hurt the buyer of insurance and hurt every element of the insurance business. So it is that one must view with pessimism current developments in certain states which point toward the enactment of legislation which will stifle competition and discourage innovation.

LIKE all business, casualty insurance has experienced major depressions and major wars. The adaptation of its facilities to the requirements of World War I and to the graver exigencies of World War II calls for a story larger than this one. Suffice it here to say that the business proved equal to the unprecedented and worldwide commitments which the Second World War required.

The financial record of all stock companies, as compiled by Alfred M. Best Company, may be used to delineate the path of progress of the entire casualty business during the past half century. By 1910 the assets of the stock companies were something over $150,000,000 and surplus to policyholders about $70,000,000. At the end of the next decade, these figures had increased to $568,000,000 and $145,000,000 respectively. Now began a great upsurge in the business, part of it artificially stimulated, the high point being reached in 1929. In that year the assets of stock companies were $1,462,000,000 and the surplus to policyholders $486,000,000.

Thereafter began a period of decline which reached its low in 1933 and then slowly reversed itself. The rate of improvement and growth in the business began to accelerate and in recent years leaped ahead to the point that in 1945 the assets of stock companies were $2,065,000,000 and their policyholder's surplus $882,000,000.

Except for the teeming twenties, the ratio of underwriting profit bore some relationship to the figures showing assets and surplus. In the decade, 1910-1920, the record was uneven, a profitable year being succeeded by several unprofitable years, to be succeeded in turn by good years. From 1923 through 1929 underwriting loss-



Two Blocks of Havoc wrought at ATLANTIC CITY, NEW JERSEY, by the fire of April 2, 1902 Property loss, $1,500,000. Lives, none

Courtesy "Cavalcade of Camden Fire."

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es were the rule, thus accenting the complacency over underwriting results so long as premium volume leaped ahead.

In 1930 the underwriting record began to plumb the depths in real earnest. The workmen's compensation business in the period 1930-1933 began to show underwriting losses running from 13% to 21%. The automobile business was poor; indeed, the whole casualty account showed losses ranging from 2% to 9%.

With the return to sound underwriting principles, the record began to change so that in 1935 the business showed a slight profit. There followed a record-breaking decade of unbroken annual profits. During the war gasoline rationing and payroll inflation upped profits still further, although heavy federal taxation made the net profit considerably less than the gross profit. Upon the termination of the war, conditions began to change for the worse, particularly in the automobile field, so that the record for 1946 showed a loss.

HISTORY teaches that history teaches nothing. So it would be rash, indeed, to predict the future with any degree of exactitude. No doubt some of the mistakes of the past will be repeated in the future. Yet, an objective appraisal of the past would seem to justify certain conclusions for the future.

A business which has developed assets of more than three and one-half billion and an annual premium income of two billion for all types of companies combined is a virile force which must go on in the future with increasing power and influence so long as it continues to perform a useful service to American business and the individual.

Just as there are 100 opportunities in the business today for every one that existed 50 years ago, so in the future many more opportunities should exist than are available even today. The business has constantly grown in complexity and in the increased demands made on its practitioners. This tendency should continue and should carry with it the requirement of better performance on the part of company official and agent alike. Knowledge of the business will continue to be the cornerstone of successful salesmanship and successful underwriting. The American Institute for Property & Liability Underwriters will be a factor of great weight in preparing insurance people for their greater responsibilities.

In the future as in the past, the most effective organization for the sale of casualty insurance will be the independent producer—the agent or broker. It was the agent and the broker who originally established the casualty business in the minds of American business men and who have been responsible for the huge premium volume now being written. They will continue to be responsible for that volume in the future.

Casualty insurance will always be the subject of legislation because it is so closely identified with the private and business affairs of most of the people. History shows that the casualty business has thrived under legislation enacted in the public interest, whether such legislation took the course of broadened coverage or making possible the writing of new lines of business or helping the stability of the business through higher standards of solvency. It will continue to be the task of the companies individually and through their associations to so gain the confidence of the public and their legislators that legislation may be liberal and nonrestrictive and always in the best interest of the policyholder.

Ave atque vale! The first 50 years were pretty good ones; on to the next 50!

San Francisco Fire Adjustments

THE great San Francisco fire of 1906 was one of the most devastating conflagrations ever to sweep a city. It had a harsh, and from the long view, a very beneficial effect on American fire insurance. It was the kiln which hardened the financial stamina of many good companies, but the crematory which destroyed those of a borderline nature which could pay their claims, but did not.

It started in the dark, early morning hours of Wednesday, April 18, 1906, immediately following an earthquake which shook the roots of the city and the surrounding area for 75 miles. The earthquake's tremors, which broke gas lines and electric wires and toppled insecure buildings, sparked the disaster simultaneously in many parts of the city, particularly in its southeastern section. What began was perhaps the most horrible panorama of fire destruction man has ever witnessed.

Fanned by a stiff wind off the bay, the blaze crept north through the city's hills and west toward the coast all Wednesday and Thursday. By Friday it began to spend itself, and by Saturday morning it was brought under control and finally extinguished.

The San Francisco fire department did its best, but broken water mains made its efforts all but futile. The path of the fire was dynamited, but unfortunately, not soon enough, and the blaze advanced unchecked. Four-fifths of the city was destroyed. The damage was estimated at between $350 and $500 million, which ranked this as the largest fire in history for values destroyed.

THE loss fell on 243 insurance companies, and on 20 or more foreign companies which made no report on their losses. Only 111 companies were licensed to write in California at the time. The remainder of the companies lost through reinsurance of admitted companies, or through having written a moderate amount of insurance in San Francisco without being admitted to California.

The Best report stated that, "taken as a whole, the companies paid their losses remarkably well, but it is nevertheless a fact that there were many companies which, while able to pay in full, met their creditors in an arbitrary and technical spirit, making use of the misfortune of those with whom they dealt to exact compromise settlements."

Although there could be no just criticism of those companies which did not meet their obligations because of sheer inability to pay, others which could pay and did not were open for sharp reprimands. These non-paying companies seized upon technicalities of fire policies. Policyholders had believed that earthquake damage was covered. That was the crux of the matter.

Earthquake damage, it was decided, could be used as a defense to a claim only where the policy contained a clause relieving the insurer from liability on fire damage resulting directly or indirectly from earthquake, or where a material portion of the insured build-

After the San Francisco earthquake and fire, insurance company adjusters, arriving promptly on the scene, set up offices in tents, ruined buildings, or in the street, as above, and began to make loss settlements. **Courtesy "News From Home."**

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ing had fallen from any cause except fire, thus voiding the policy.

The Best survey showed that few policies contained such clauses, and that few buildings destroyed were sufficiently damaged to bring them within the application of the "fallen building" clause.

The falling of a chimney or plastering could not be considered as the falling of a substantial or material part of a building, and the original intent of this clause was to provide against claims arising from the collapse of buildings because of structural weakness. The courts discriminate between buildings which fall because of inherent weakness and those demolished by an outside force, such as an earthquake.

Most of the companies attempting to get large arbitrary deductions from claims against them, however, had neither an earthquake clause nor specific evidence of earthquake damage to use as a defense. Instead, they insisted that the "general conditions" entitled them to discounts as high as 30%. There was no justification for this course, according to Alfred M. Best.

HAD San Franciscans recovered all insurance on destroyed property, about $225 million, their loss would still have been approximately $100 million. The securing of discounts from adjusted claims therefore is quite apparently unjust, said Mr. Best. The report states that in the adjustment all questions of companies' liability were supposedly considered, among them depreciation from all causes, including damage, if any, by the earthquake before the fire finally destroyed the property. The allegation by these companies that many claims were "padded" was discredited by the fact that, on the whole, the destroyed property was greatly underinsured.

"The vital point of the whole matter is that the companies which exacted arbitrary discounts secured these discounts not necessarily from the face of their policies, but from the face of the claims after they were adjusted and the adjustment accepted by reputable companies," the authenticated report states.

"It therefore is true that any wholesale deduction from the face of the claims as adjusted was unjustifiable, and was possible only because of the great necessities of claimants and because of the technical nature of the insurance contracts, which deterred creditors from suing," Mr. Best said.

"It is preposterous to assume that individual companies involved for millions of dollars paid their claims in full as adjusted 'for the advertisement' or from any other motive than an impelling sense of justice, and the companies which exacted arbitrary discounts," the report concludes, "were without legal or moral justification, in the great majority of instances."

BEGINNINGS AND GROWTH OF

WORKMEN'S COMPENSATION

BY WM. SCHOBINGER

OF ALL the changes effected in the casualty insurance business during the past 50 years, one of the most interesting is the birth, development and growth of workmen's compensation.

At the turn of the century, employers liability insurance was in its infancy. The abuses which arose aroused concern among economists and sociologists who felt that the cost of industrial accidents should be assessed on industry just the same as the cost of machines, and of the power to drive them.

Following the lead of several other countries, a workmen's compensation law was enacted in New York. This law was compulsory in certain hazardous employments. Known as chapter 674 of the laws of 1910, it was declared unconstitutional by the court of appeals in the case of Ives vs. South Buffalo Railway Company in a decision in which the court said that while the legislation provided substantial justice, it was not sound law in that it did not preserve to the employer the due process of law guaranteed by the constitutions of the United States and of New York, as authorizing the taking of the employer's property without his consent and without his fault. It was the compulsory feature of this act which caused the court to upset it.

On May 3, 1911, a compensation law became effective in Wisconsin. The Wisconsin legislature, profiting by the experience in New York, made the act non-compulsory by providing that it should apply to hazardous employments and by providing further that any employe could elect not to be bound by the act. The Wisconsin act was declared constitutional by the supreme court of Wisconsin November 11, 1911. In his concurring opinion Justice Marshall said:

> "It is needless to add that I heartily endorse all said in the court's opinion regarding the importance of the legislation which has received approval. May it be the beginning of a well rounded out constutional system making every one who consumes any product of labor for hire pay his proportionate amount of the cost of the creation representing the personal injury misfortunes of those whose hands have enabled him to secure the objects of human desire, thus minimizing the sufferings which are the natural incidents of industry and should be borne, so far as they represent pecuniary sacrifice, by the mass of mankind whose desires are administered to by such industry."

In 1911 Nevada followed suit. Its law was effective on July 1. In contrast to the Wisconsin law, the Nevada law provided for exclusive administration of a state fund by the same authorities who administer the compensation law itself.

Three more acts were enacted in 1911: New Jersey July 4, California September 1, Washington October 1. The latter act provided for state fund administration and it was held to be constitutional September 27, 1911. Eight more laws were passed in 1912, three in 1913, six in 1914, nine in 1915, four in 1916, three in 1917, two in 1918, three in 1919, one each in 1920, 1921, 1926, 1927, 1928, 1929, two in 1935 and the last, Arkansas, in 1940.

Injuries suffered by stevedores and harbor workers fall within the U. S. longshoremen's and harbor workers' act which was passed by Congress in 1927. This act also covers employes in the District of Columbia.

The territories of Hawaii, Alaska and the Island of Puerto Rico all have workmen's compensation laws.

Mississippi is the only state left which still operates under the old employers' liability system.

THE scope of the acts has been gradually broadened. Exceptions are being whittled away by succeeding sessions of the legislatures.

The compensation acts originally were limited to accidental injuries suffered in the course of employment. Within the past 15 years the matter of occupational disease, particularly in silicosis cases, began to assume dangerous proportions and a great deal of litigation ensued, fomented by lawyers who took the position that if injuries suffered by occupational disease were not within the purview of the compensation law, then there must of necessity be a right of action at common law for damages. As a result of demands by both labor and industry, occupational disease laws were enacted in many states and the standard workmen's compensation policy was amended, if requested by the assured, to cover the right of action at common law for damages in those states which had no compensation provision for occupational disease. There does not seem to be any uniformity among the states in the manner in which occupational disease is treated. Some states, such as Illinois and Indiana, have separate occupational disease laws. Others include an occupational disease provision in the workmen's compensation law itself. Some states cover certain specifically scheduled diseases; others define disease in general terms and attempt to exclude the diseases of ordinary life.

William Schobinger, attorney of London Guarantee & Accident, New York, was born in Chicago and admitted to the bar of Illinois in 1908 and to the bar of New York in 1926. He joined London Guarantee in Chicago in 1910 and went from Chicago to New York when the company moved its office in 1924.

Starting as investigator and adjuster, in 1914 he became examiner in the law department handling all kinds of casualty claims including the trial of workmen's compensation cases. In 1929 he was appointed superintendent of compensation claims and has held that post since.

Wm. Schobinger

Other comparatively recent developments are the establishment of second injury funds, special funds for rehabilitation, and particularly special funds to guarantee payment of awards against insolvent insurance carriers such as article 6 (a) of the New York act and article 7 of the New Jersey act, both of which were enacted in 1935.

I have previously referred to the administration of workmen's compensation claims by monopolistic state funds. There are seven states in which claims are secured by exclusive state funds, namely Nevada, North Dakota, Ohio, Oregon, Washington, West Virginia and Wyoming, all of which are tax exempt. That there are only seven in the 49 states and territories, and that none of the acts passed since 1919 provide for monopolistic state fund coverage, would lead to the inference that, by and large, the insurance companies have been doing a pretty good job.

Though the insurers are in free and active competition with each other, they have cooperated in forming the so-called assigned risk pools to provide insurance for employers in hazardous businesses who find difficulty in obtaining insurance from individual carriers. Pools of compensation carriers have been known from time to time, beginning with the coal mine and prohibited risk pools and continuing down to the present day in the several pools of aviation underwriters.

Needless to say, the interchange of information between companies and their department heads, and the dissemination of news of developments in the casualty field furthering the needs of the business, have been greatly facilitated by THE NATIONAL UNDERWRITER which we congratulate on its 50th anniversary.

A Record Unique in Insurance History

	PREMIUMS	ASSETS	RESERVE FOR LOSSES AND UNEARNED PREMIUMS	NET SURPLUS	TOTAL LOSSES AND DIVIDENDS PAID TO POLICYHOLDERS
1912	$ 29,562.55	$ 28,939.85	$ 15,281.27	$ 8,368.77	$ 100.00
1913	71,098.24	54,966.15	41,692.18	10,541.88	19,089.88
1914	141,954.90	96,276.18	72,683.36	18,693.04	81,947.96
1915	168,357.98	130,463.69	85,247.62	22,798.94	177,891.89
1916	226,161.64	158,106.10	90,192.09	25,243.40	315,033.22
1917	319,311.65	239,388.20	131,504.69	54,162.71	441,687.61
1918	446,386.51	396,692.50	226,603.85	129,007.57	606,651.29
1919	777,136.57	679,772.17	443,887.88	204,491.17	898,062.97
1920	1,526,628.23	1,165,683.23	794,255.53	306,820.44	1,473,424.42
1921	1,734,951.59	1,566,895.03	1,131,484.88	363,963.63	2,347,127.55
1922	2,259,316.45	2,259,786.59	1,625,055.94	382,378.27	3,460,069.51
1923	2,870,762.21	2,786,121.79	2,009,848.78	458,866.71	4,912,241.23
1924	3,670,962.67	3,784,081.58	2,752,902.64	589,141.39	6,598,458.82
1925	4,570,050.95	4,615,054.63	3,408,235.10	677,248.53	8,863,549.50
1926	5,250,976.25	5,526,431.34	3,996,612.26	811,196.36	11,650,827.87
1927	6,718,131.36	6,928,216.97	4,593,569.80	1,208,673.62	15,075,142.67
1928	9,168,597.22	10,204,937.75	7,298,425.88	1,527,600.14	19,365,372.05
1929	12,162,720.59	11,638,980.54	8,094,327.13	1,827,884.22	25,588,325.19
1930	13,650,070.76	15,001,456.66	11,030,616.41	2,101,032.43	33,433,876.91
1931	14,307,235.84	15,521,354.57	11,318,279.00	2,220,062.08	42,075,500.39
1932	15,098,377.73	16,031,781.14	12,081,577.60	2,336,954.24	51,198,916.09
1933	16,004,197.85	17,222,827.28	13,496,283.79	2,385,666.10	60,489,406.20
1934	18,307,575.46	19,545,750.11	15,047,015.57	2,534,504.10	70,864,176.49
1935	20,343,475.15	22,611,299.39	16,537,175.40	3,082,433.03	82,409,973.68
1936	22,219,614.81	26,630,204.39	18,253,922.16	3,594,765.86	94,203,672.68
1937	26,566,765.96	30,244,092.33	21,674,978.21	4,102,229.25	108,068,962.30
1938	26,911,679.42	34,171,977.53	24,358,982.47	4,668,053.96	122,691,504.13
1939	27,458,306.73	38,073,226.38	26,318,783.30	5,262,440.31	137,467,725.58
1940	29,246,513.43	41,382,727.87	28,916,432.29	5,500,000.00	153,516,454.67
1941	34,498,363.76	45,363,288.44	31,010,885.81	6,000,000.00	172,554,114.52
1942	37,028,128.58	49,917,057.34	32,325,124.72	7,000,000.00	193,295,050.97
1943	31,399,515.28	52,941,954.16	33,797,115.61	8,000,000.00	211,437,071.01
1944	32,719,795.86	57,317,118.54	36,852,775.68	9,000,000.00	229,581,701.02
1945	36,120,981.15	62,072,882.56	39,788,328.91	9,500,000.00	249,706,224.03
1946	44,218,370.66	67,418,486.51	45,681,714.00	10,000,000.00	273,573,403.65

35th ANNIVERSARY YEAR

Lumbermens . . *MUTUAL CASUALTY COMPANY*

Operating in New York State as (American)
Lumbermens Mutual Casualty Company of Illinois

JAMES S. KEMPER, *Chairman*

H. G. KEMPER, *President*

CHICAGO (40)

Contribution to Public Health

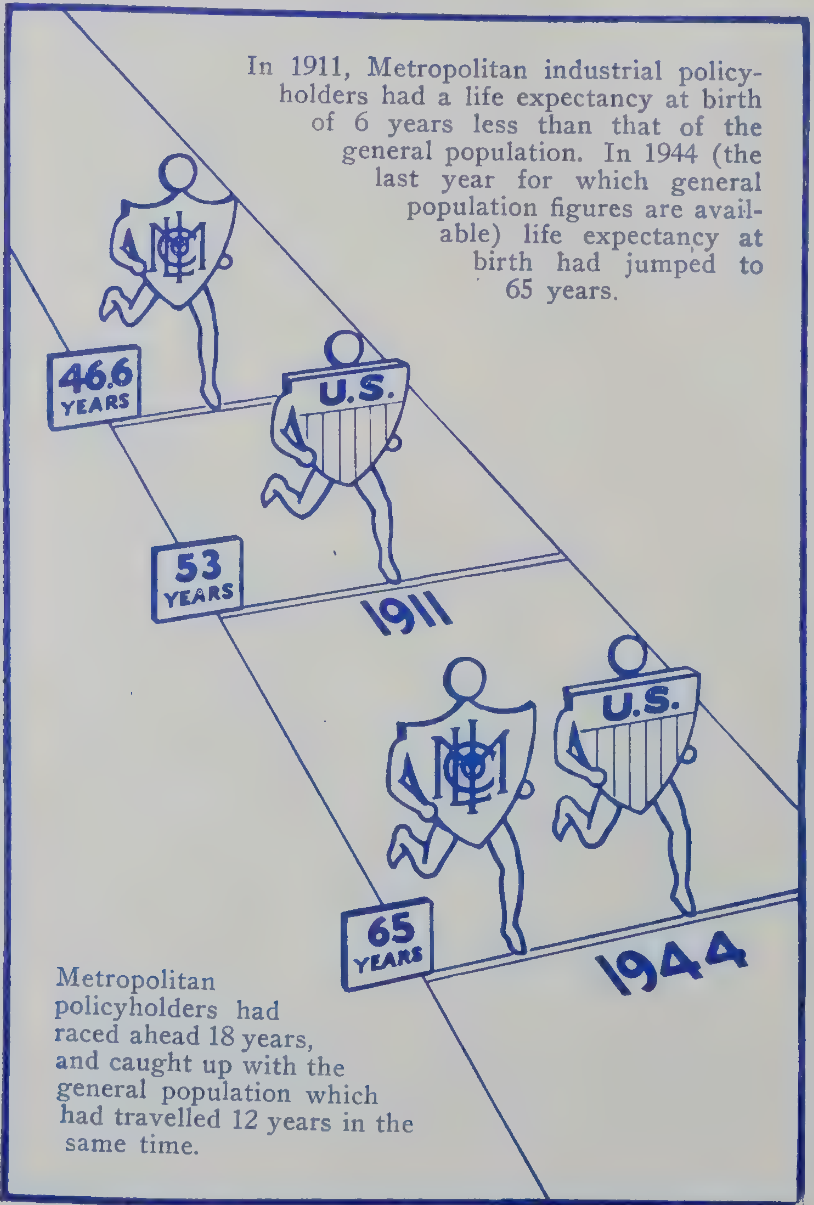
BY DR. D. B. ARMSTRONG

FIFTY years ago, when THE NATIONAL UNDERWRITER was founded, our country stood on the brink of the greatest period of progress in medicine and public health in history. In 1897, the methods of preventing many communicable diseases were known, but public health activities were not sufficiently well-organized to apply this knowledge on a large scale. The Captain of the Men of Death in those days was tuberculosis which annually took a toll of more than 200 out of every 100,000 of our country's population. Nearly 36 out of every 100,000 were dying of typhoid fever, a disease which has now been practically wiped out.

Fifty years ago the very mention of diphtheria struck terror to the hearts of mothers. Not until 1914 was a safe means of preventing it by immunization developed. In 1897 the United States was on the verge of war with Spain, but the mystery of the spread of yellow fever—a foe far more dangerous to our troops in Cuba than enemy soldiers—was still unsolved. Not until 1900 did Walter Reed and his associates prove that Yellow Jack could be banished from our shores by making war on the female mosquito of the species, Aëdes aegypti.

X-rays had been discovered two years before, in 1895, and radium was to be isolated one year later, in 1898, but it was to take years of research and experience to demonstrate their usefulness in curative and preventive medicine. In the field of nutrition, vitamins had not even been heard of; and in chemotherapy, it has only been in recent years that physicians have had wonder working drugs, like the sulfonamides and penicillin, to use as potent weapons in the war on many once dreaded bacterial diseases.

Yet in the early years of the 20th century enough was known to conquer some of the most common communicable diseases — notably typhoid fever, infant diarrhea, smallpox, and perhaps even tuberculosis—and discoveries about the intricate structure and chemistry of the human body were snowballing with unbelievable rapidity.



In 1911, Metropolitan industrial policyholders had a life expectancy at birth of 6 years less than that of the general population. In 1944 (the last year for which general population figures are available) life expectancy at birth had jumped to 65 years.

Metropolitan policyholders had raced ahead 18 years, and caught up with the general population which had travelled 12 years in the same time.

Many groups and individuals had begun to campaign for the application of this knowledge, and evidence was piling up that the new method of fighting disease were beginning to yield a rich harvest in human lives. The proof that good results in life conservation could be achieved was becoming apparent.

Obviously, life insurance companies had a deep interest in the public health. Any conditions which could increase or decrease the health and life span of policyholders vitally affected their business.

With their keen interest in life conservation, and proof that results could be achieved, one insurance company after the other began to conduct some form of health and safety education, and to contribute its share toward the improvement of conditions.

THIS is chiefly the story of what one life insurance company — the Metropolitan — did to develop a program of health education in collaboration with other health and educational agencies, and thereby made one of its chief contributions to public health.

In the course of its study of statistics of death rates and expectancy of life at birth in the United States and Canada, the Metropolitan discovered that the city-dwelling working people who make up the company's millions of industrial policyholders were lagging behind the rest of the country's population in health and in expectancy of life at birth. The need was there.

From a network of local offices covering a good part of the country, thousands of Metropolitan agents had an unparalleled opportunity to take helpful knowledge into the homes which they visited regularly on insurance business. The opportunity was there.

Metropolitan executives wondered: If policyholders could be given help and knowledge in the fight against disease and premature death—would it make a difference?

The only way to find out was through an actual demonstration. And so, in 1909, the Metropolitan took the historic step of joining the public health forces of the country by establishing its present health and welfare division under the direction of Dr. Lee K. Frankel. In a very few years after health services were begun, it became apparent that they did, indeed, make a difference. Now, 38 years later, evidence of this difference is indisputable.

From the very beginning, the problem of helping people to have better health and to live longer was tackled from many sides.

Dr. Donald B. Armstrong, second vice-president of Metropolitan Life, is well known for his public health work generally and for his effective direction of the tuberculosis and public health demonstration in Framingham, Massachusetts.

D. B. Armstrong

In 1916, Dr. Armstrong was selected to conduct the Framingham demonstration for the National Tuberculosis Association, the Metropolitan Life having made an appropriation to carry on this work. It was the first of many such health demonstrations, which have been carried on by the Milbank Memorial Fund, the Commonwealth Fund and other social and health agencies in different cities of the United States. The Framingham demonstration, while primarily aimed at reducing the tuberculosis death rate, showed that public health was a commodity that could be bought and that the death rate from many other diseases also could be reduced when proper efforts for the discovery and cure were taken by the county's health authorities.

In 1924 Dr. Armstrong joined the welfare division of Metropolitan as assistant secretary. His appointment was made retroactive to June 1, 1916, the date when he was made executive officer of the Framingham demonstration. He is vice-president of the National Safety Council; chairman executive committee on Medical Information, New York Academy of Medicine; chairman of the comittee on community service of American Social Hygiene Association, and a director of the National Health Council; the National Social Welfare Assembly; New York City Cancer Committee, and the Greater New York Safety Council.

Nursing service was started for industrial policyholders who were acutely ill at home. This part of the program was begun as an experiment in one city in June, 1909. A significant commentary on its value is the way in which the service grew by leaps and bounds. By 1910, 213 towns and cities received the service, given by 47 visiting nurse associations, and 31 salaried nurses employed directly by the company in places where visiting nurse associations were not established. This growth continued until 7,737 cities and towns were receiving the service, given by 835 visiting nurse associations with which Metropolitan had contracts, and by 318 Metropolitan nurse centers in sections where visiting nurse associations were not established or did not come up to the Metropolitan standards of care.

NO story of Metropolitan nursing service would be complete without mention of the effect it had on the great visiting nurse movement of which it was a part. In 1909 visiting nurse service was almost entirely dependent on private philanthropy, and almost en-

The National Life Insurance Company
OF VERMONT

congratulates **The National Underwriter**
upon fifty years of honorable
and useful service to the life insurance profession

Home office of the National Life, Next-door to Vermont State House

National Life at Age 97 reports an all-time high in sales of new insurance—$113,661,973 in 1946 and a present total of $828,250,367 in force Jan. 1, 1947—

(Our financial statement upon request.)

NATIONAL LIFE INSURANCE COMPANY HOME OFFICE MONTPELIER **VERMONT**

PURELY MUTUAL—ESTABLISHED 1850

tirely limited to the sick poor. When Metropolitan entered the picture, becoming a large-scale purchaser of nursing care for industrial policyholders, visiting nurse associations began to receive a stable income. Working people were willing to accept nursing care paid for by their insurance company, because it was free from the stigma of "charity" care.

The company contributed in many other ways to the expansion and development of the public health nursing movement, through its affiliations with nursing services all over the United States and Canada and its own large nursing staff. For example, by helping to raise the standards of nursing care through its continuous program of staff education and supervision; and by demonstrating the value of uniform records and accurate cost accounting.

At the same time nursing was started, Metropolitan's health education campaign began, with the publication of "A War Upon Consumption." The company's thousands of agents were mobilized to distribute this pamphlet in millions of homes. Since then, one welfare pamphlet after another has appeared to combat one after another of the old-time threats to health and life, and the company's agents have never relaxed their efforts to distribute this material where it was most needed. The agents know, for example, where there is illness—where there are babies who need to be protected from diphtheria, whooping cough, or smallpox—where a booklet on child care, first aid, or nutrition might be helpful.

From distributing booklets in policyholder homes, it is a short step to active participation in the health and safety campaigns of the communities in which these policyholders live. For years official and voluntary agencies have counted on Metropolitan agents for supplies of authentic, up-to-date health and safety literature—and for help in getting word directly to people in various campaigns, urging them to take advantage of modern medical knowledge.

Before large numbers of people begin to believe something and to act on it, they must usually see and hear it over and over again in different ways. Therefore, the company soon added as many extra ways of reaching people as possible — motion pictures, film strips, exhibits, posters, the radio, and national advertising.

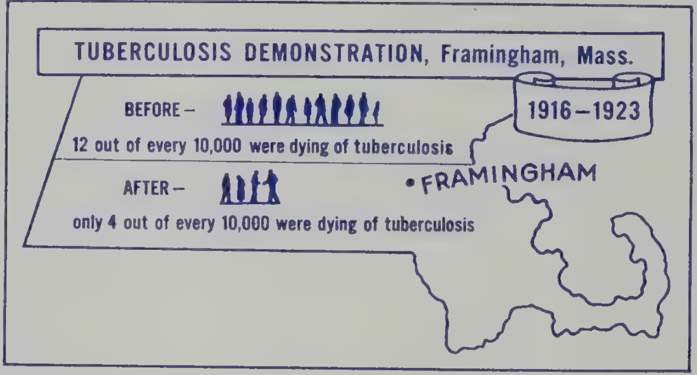
Movies have been prepared on smallpox and diphtheria—diseases which can be wiped out by thoroughgoing immunization; on nutrition showing the type of ill health that can be avoided or cured by eating enough of the right kinds of foods; on street accidents that carefulness and courtesy will prevent; and on heart disease, currently appearing in movie houses.

Exhibits, posters, and special display material have been simple or elaborate, technical or popular, as the occasion or the subject required. They have been used by Metropolitan field men and social, medical, educational, and health agencies in thousands of health and safety campaigns and national, state, and community gatherings of professional and lay groups.

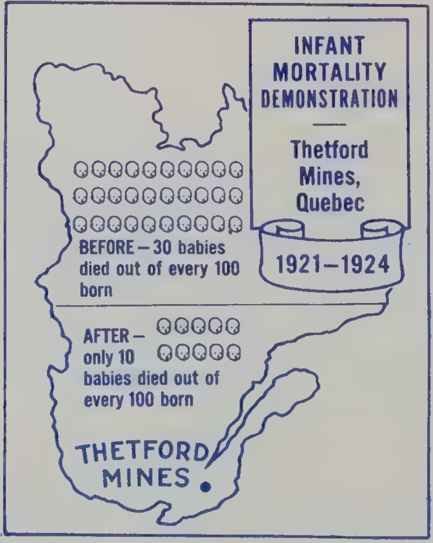
EVEN more convincing than the printed word is proof by demonstration of what the application of modern control methods can accomplish.

Perhaps one of the best known demonstrations is the seven year Framingham, Massachusetts, experiment, undertaken in cooperation with the National Tuberculosis Association, which proved that an average American community can radically reduce its tuberculosis death rate by using what is known about tuberculosis —in prevention, in detection, and in treatment.

Another well known demonstration is the three year Thetford Mines, Quebec, experiment which proved that a community's infant mortality rate could be reduced two-thirds simply by educating mothers in modern methods of maternity and child care.


TUBERCULOSIS DEMONSTRATION, Framingham, Mass.
1916–1923
BEFORE –
12 out of every 10,000 were dying of tuberculosis
AFTER –
only 4 out of every 10,000 were dying of tuberculosis
• FRAMINGHAM

Hand in hand with demonstration is the Metropolitan's program of encouragement of the research on which further progress depends. The 25-year work of the Metropolitan Influenza-Pneumonia Commission is well known for its studies on respiratory diseases and methods of treatment. The five year study of silicosis and pulmonary dust diseases carried on in Picher, Oklahoma, jointly by the United States Bureau of Mines, the Tri-State Zinc Mine Operators, and the Metropolitan has resulted in the collection and analysis of valuable information on dust hazards in mines and elsewhere.


INFANT MORTALITY DEMONSTRATION
Thetford Mines, Quebec
1921–1924
BEFORE – 30 babies died out of every 100 born
AFTER – only 10 babies died out of every 100 born
THETFORD MINES

These are well-known landmarks of social and laboratory research and demonstration. There are also hundreds of community health studies, surveys, campaigns, and demonstrations which, added up, have contributed an imposing total to the scientific knowledge available for combatting the enemies of life and health wherever they are found.

FROM the beginning of its welfare program, Metropolitan recognized that no one agency working alone could reach out and change the attitudes and practices of millions of widely different people. Therefore, from the start, an important part of the company's attack on public health problems has been cooperation with all official and voluntary agencies and individuals who were also engaged in working for the common good of everyone.

The vital thread of cooperation runs through every phase of Metropolitan's program. Policyholders have benefited by the way the medical and nursing professions, official health agencies, and voluntary health, social, educational, and industrial organizations have worked to bring the advantages of preventive medicine and public health developments to all the people.

And the work of all these groups has frequently benefited from the tools Metropolitan has been able to contribute — the financial support and leadership for promising research projects and demonstrations; statistical studies which serve as yardsticks by which the medical profession and public health and social workers may measure the effectiveness of their activities; scientific monographs and exhibits based upon research sponsored by the company; popular health literature, films, and exhibits for use in interpreting to the public the latest advances in curative and preventive medicine; and the assistance of Metropolitan field men and nurses in campaigns to control epidemics and promote life saving measures.

Not infrequently the company has led the field in calling attention to new ways of fighting disease and death. Many physicians in the United States first heard of the Schick test and toxin-antitoxin for the prevention of diphtheria through company literature. Many health departments were first sensitized to the opportunities for the development and use of pneumonia sera by the company's pneumonia-control program based on the Influenza-Pneumonia Commission's research. Many pediatricians, health departments, and medical organizations were first aroused to tackle the rheumatic fever problem by the company's campaign against that disease. Many health departments are now for the first time interested in home accident prevention and in heart disease control as a result of the company's work in these fields.

MANY other life insurance companies in this country and Canada have also worked in the interests of public health, along similar lines, and have added their share to the advances made in the last 50 years. These companies are now cooperating through another important step by establishing (in 1945) a Life Insurance Medical Research Fund. A total of 149 companies in the United States and Canada are supporting the Fund by their contri-

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Progress made in the conquest of various diseases and conditions, against which the company has waged educational campaigns in cooperation with official and voluntary health agencies, is indicated in the accompanying table in which the mortality experience of Metropolitan industrial policyholders at the start of each campaign is compared with current death rates.

Cause of Death	Death Rate per 100,000 At Start	To Date	Percent Improvement
Old Enemies			
1. Puerperal Diseases	1911— 19.8	1946— 3.2	84
2. Tuberculosis	1911—224.6	1946—37.2	83
3. Typhoid Fever	1911— 22.8	1946— .2	99
4. Communicable Diseases of Childhood*	1911— 58.9	1946— 1.9	97
5. Diarrhea and Enteritis	1911— 27.9	1946— 2.5	91
More Recent Campaigns			
6. Diphtheria	1925— 10.6	1946— .6	94
7. Appendicitis	1933— 13.2	1946— 3.4	74
8. Motor Vehicle Accidents	1934— 22.2	1946—16.4	26
9. Home Accidents	1934— 14.9	1946—10.5	30
10. Pneumonia	1936— 69.8	1946—25.9	63
Current Battles			
11. Syphilis	1940— 12.0	1946— 8.0	33
12. Diabetes	1940— 29.8	1946—26.1	12
13. Occupational Accidents	1942— 7.1	1946— 4.9	31

* Measles, scarlet fever, whooping cough, diphtheria

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are being established in
the principal cities of

OHIO
TEXAS
ILLINOIS
INDIANA
FLORIDA
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MISSOURI
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Only men with experience as supervisors or managers needed. Write

Charles T. Cravens
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THE BANKERS LIFE & CASUALTY COMPANY

Chicago 30, Illinois

"Chicago's First Insurance Company"—Established 1879

John D. MacArthur, President

LIFE HOSPITAL HEALTH-AND-ACCIDENT

EARLY TROUBLES WITH HEALTH INSURANCE BROUGHT ABOUT

The Evolution of the Conference

BY H. R. GORDON

Harold R. Gordon is managing director of the Health & Accident Underwriters Conference, the largest trade association in the accident and health insurance field. He has served this association for 25 years and established his first headquarters in Detroit in 1921. Later headquarters were moved to Chicago. Gradually activities and services to members have been developed to a point where there is a staff of 10 persons. Mr. Gordon is a nationally known figure in insurance circles and has spoken at numerous meetings from coast to coast. He is the author of numerous articles on disability subjects.

H. R. Gordon

THE observance of the 50th anniversary of THE NATIONAL UNDERWRITER closely coincides with the beginning of the Health & Accident Underwriters Conference.

Prior to the nineties of the last century the pathway of health insurance had been strewn with failures and wrecks. In 1891 two companies, U. S. Benevolent Society of Saginaw and Northwestern Benevolent Association of Duluth, were writing monthly premium combination accident and health policies and because of conservative management of these companies the organization of similar companies took place rapidly during the next decade.

It was due to this early pioneering that health insurance combined with accident insurance first had its solid foundation. Accident insurance had been written for some years prior to this time but the old accident underwriters of those days would have nothing to do with health insurance. Even insurance commissioners at that time distrusted with justification companies who issued combination health and accident policies.

This was distinctly an experimental era in accident and health insurance history and frequent changes in policy coverages were essential to the existence of those early companies. It was natural that these companies would seek each other's advice, follow each other's policy changes, premiums, and new features which were to make this new form of disability protection attractive.

Competition became keener and with it a type of competition that was not always healthy to the advancement and welfare of this new class of insurance business.

Even in 1897 personal correspondence between these companies indicated a desire for conferences and the advisability of getting together. In the summer of 1898 a meeting of such companies was called in Detroit but only four companies responded.

Again later in the same year another meeting was held at the Great Northern hotel, Chicago, attended by five companies and a tentative association was formed. Ideas were exchanged and committees appointed, but nothing was accomplished.

In the spring of 1899 another meeting was held in Chicago at the Grand Pacific hotel at which meeting the following companies were present—U. S. Benevolent, National Protective, Columbian Relief, Fidelity Mutual Aid, Northwestern Benevolent, Northern Accident, American Health, American Mutual Aid, Western Relief, Metropolitan Accident, and North American Accident.

Topics were discussed, changes in policy forms were considered, but, outside of getting better acquainted, nothing tangible resulted. However, some of these companies were growing to a considerable size with premium incomes running into hundreds of thousands which in those days meant substantially large companies. The year 1900 brought about many changes and more of the straight accident companies were adding health insurance and writing combination monthly premium accident and health policies.

EDUCATION of the public to the need of health insurance created a demand for health coverage and with it a willingness on the part of accident companies to write such coverage. With this expansion and keen competition for volume came trouble in the form of transfer of agents through lucrative offers, higher commissions, and, with these conditions, the inevitable switching of business. The business was full of twisters who floated from one company to another, leaving disaster in their wake and destroying public confidence. These were the conditions prevailing in many sections when the Conference was called into being. At that time it was called the Detroit Conference.

The following was reported by V. D. Cliff, president of Federal Life & Casualty, in a paper given at the midwinter meeting of the conference in Detroit in March, 1926:

"In the spring of 1902, C. H. Bunker, then president of the Continental, D. E. Thomas, president of the National Protective, J. B. Pitcher of the U. S. Health & Accident and myself met in Detroit with a view of discussing and trying to find ways and means to remedy the unfortunate situation. Before we separated it was decided to call a meeting of the monthly premium health and accident companies, and Mr. Thomas was delegated to issue the call. Though some 30 companies were invited, only the following ten had representatives present at the first meeting held May 30, 1902, at the office of the National Protective, Detroit:

"Continental Casualty, Chicago; Union Casualty & Surety, St. Louis; North American Accident, Chicago; National Protective Society, Detroit; Phoenix Accident & Sick Benefit Association, Benton Harbor, Michigan; American Health & Accident, Detroit; Western Relief Association, Oshkosh, Wisconsin; Home Benefit Society, South Bend; American Mutual Aid, Detroit; and U. S. Health & Accident, Saginaw, Michigan.

"The second meeting was called and held at the Palmer House, Chicago, July 1, 1902, at which the aforementioned companies were represented and in addition the following were represented and admitted to membership:

"Columbian Relief Fund Association, Indianapolis; Northern Accident Company, Menominee, Michigan; Indiana Accident, Anderson, Indiana; and LaCrosse Mutual Aid Association, Milwaukee.

"For a number of years quarterly meetings of the conference were held, the purpose being to develop a more friendly and co-operative spirit among the members by keeping in close and frequent touch with one another, also

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Public Health

butions. The main purpose of the Fund is to make research grants to universities and medical schools on disease problems which have so far eluded control. The present concentration of interest is on diseases of the heart and vascular organs.

Health and safety conditions today are indeed a far cry from conditions 50 years ago. It must surely be a source of pride to insurance men everywhere to realize that insurance companies have contributed substantially to the longer, safer, and healthier life which we enjoy today. It must be gratifying to know also that insurance companies are not only helping to hold the line of gains already made but also are constantly widening the scope of their activities and continuing their efforts toward further improvement.

REMINISCENCES OF V. D. CLIFF

V. D. Cliff

Vincent D. Cliff, chairman of Federal Life & Casualty of Detroit, celebrated his 80th anniversary last year. He was born December 21, 1866, and therefore belongs to that crowd of people whose birthday anniversary comes near Christmas. They are always frustrated because their birthday recognition is included with Christmas.

Mr. Cliff was born in a log cabin in a pioneer section of Minnesota before it had become a state. The property was later granted to Mr. Cliff's father by President U. S. Grant. Chinch bugs were prolific in this section, and they forced the family to leave. They migrated to northwestern Minnesota near the North Dakota line.

V. D. Cliff got a job in a country store—his luxurious compensation being $10 a month. He saved his money and later went to Minneapolis where he was enrolled in a business college. Later he became associated with a hardware store in Duluth. Here was his first contact with the insurance business. In 1891 a solicitor told Mr. Cliff that he was organizing a mutual health and accident company and had to have a certain number of members before he could get a state license. Mr. Cliff became a member and the premium was $1 a month.

This concern was the Northwestern Benevolent Society of Duluth and was founded by J. T. Gardner. It was one of the country's two original industrial health and accident insurance organizations.

V. D. Cliff later became an inside man for Northwestern Benevolent even though it meant a decrease in his income. After three months Mr. Cliff advised his superiors that the company could not survive because its premiums were not large enough. His advice was taken and the text of the policy was revised with an increase in premiums.

Mr. Gardner died and Mr. Cliff purchased his interest. He continued as secretary and manager of the company until 1900, when Northwestern merged with Metropolitan Accident Association of Chicago. Mr. Cliff purchased an interest in U. S. Health & Accident of Saginaw, Michigan.

This was the day when many companies were being organized—most of them not possessing sufficient funds to enable them to meet their obligations and hence they failed. Mr. Cliff was one of the organizers of the old Detroit Conference which later became the Health & Accident Underwriters Conference.

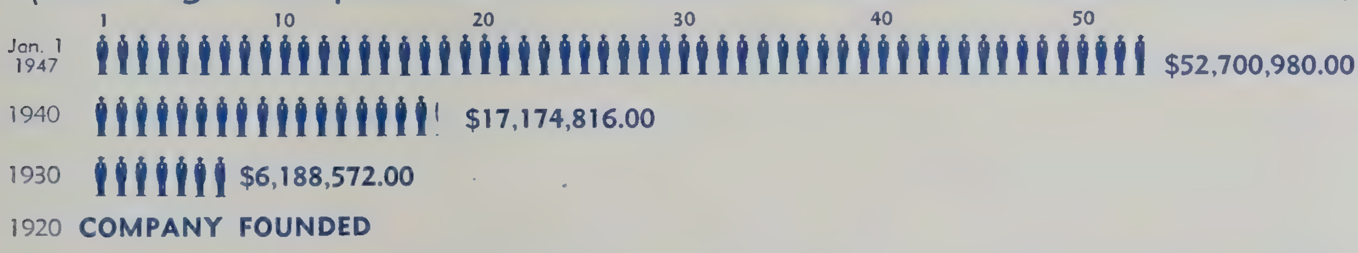
In March, 1906, he founded Federal Casualty of Detroit. He became president. Very much interested in extending the field of personal insurance, he had a strong desire to have Federal Casualty enter life insurance. In 1929 he had the name of the company changed to Federal Life & Casualty.

A PICTOGRAPH of 27 years of PROGRESS

Over 52 Million Dollars in UNION LIFE Policies Now In Force . . . . . .

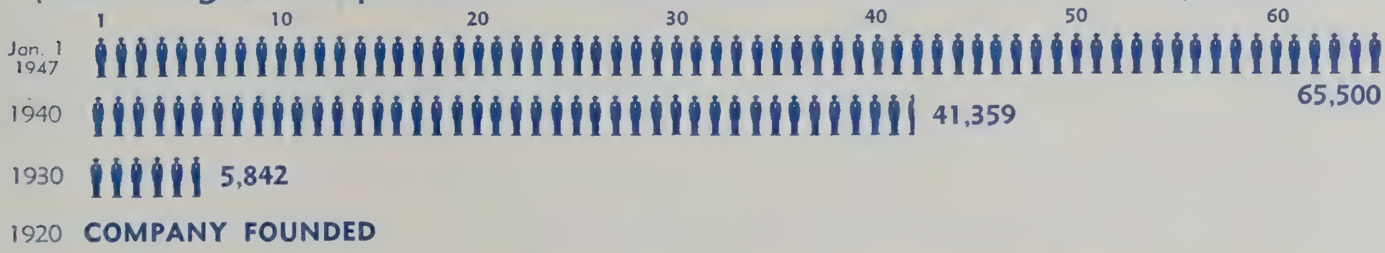
Arkansas' Oldest and Largest Legal Reserve Life Insurance Company Achieves New Record in Expansion Program.

(Each Figure Represents One Million Dollars of Insurance in Force)



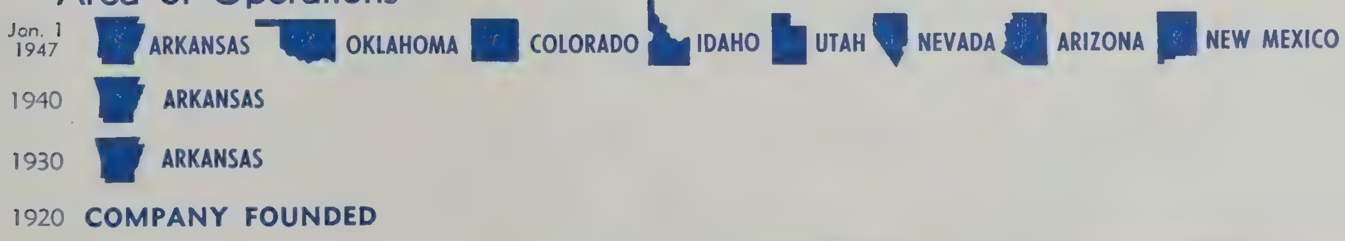
Jan. 1 1947 $52,700,980.00
1940 $17,174,816.00
1930 $6,188,572.00
1920 **COMPANY FOUNDED**

(Each Figure Represents One Thousand Union Life Policyholders)



Jan. 1 1947 65,500
1940 41,359
1930 5,842
1920 **COMPANY FOUNDED**

Area of Operations



Jan. 1 1947 **ARKANSAS OKLAHOMA COLORADO IDAHO UTAH NEVADA ARIZONA NEW MEXICO**
1940 **ARKANSAS**
1930 **ARKANSAS**
1920 **COMPANY FOUNDED**

An Acknowledgement To THE NATIONAL UNDERWRITER

Union Life joins the hundreds of life insurance companies across the nation in acknowledging the fifty years of helpful service to the life insurance industry by *The National Underwriter.* Along with other companies, Union Life has benefited directly from the timely guidance of Mr. Charles M. Cartwright, editor, and is grateful for his zealous leadership and devotion to the ever-expanding public service of life insurance.

"More Than A Quarter Century Of Service"
Founded On The Prompt Payment of Claims

UNION LIFE INSURANCE COMPANY

Elmo Walker President

Home Office: Union Life Building . . . Little Rock, Arkansas

Interior of modern home office. Courtesy of Prudential.

an opportunity to air grievances and clear up little misunderstandings that might arise between meetings. The membership steadily grew until it not only included practically all of the companies engaged in monthly premium business, but also a number of accident companies, traveling men's associations and some fraternals. The former disturbing elements were induced to see the light, to appreciate the advantages of cooperation and constructive efficiency and to join the fold—Bunker, the 'peace maker,' being instrumental in the cause."

Thus, the Detroit Conference was born and for several years held quarterly meetings. Among the pioneers of the old Detroit Conference were such well-known names as Bunker and Alexander of Continental Casualty; Thomas of the National Protective (now National Casualty), first president of the Conference; Pitcher and Cliff of the old U. S. Health & Accident (later reinsured with Massachusetts Bonding), A. E. Forrest, North American Accident; Curtis, Northern Accident; Bracket and Ray, Columbian Relief; Jones, Equitable Accident; George E. McNeill, Massachusetts Mutual Accident; Howland, Fidelity Accident; Fibel, Great Eastern; Robinson, National Masonic Provident, and many others.

Later only semi-annual meetings were held, the need for more frequent meetings having been eliminated by the constructive work of the Conference in stamping out unfair competition. James V. Barry was then insurance commissioner of Michigan and was present and delivered addresses of exceptional interest at Conference meetings.

The birth of the Conference in 1902 was accomplished by a membership of ten companies. Now the Conference membership consists of 136 companies composed of all types of carriers and writing all classes of accident and health coverage. Much was achieved by the founders and those who have since served in official capacities in the Conference.

OVER this 45-year period there have been many problems. The roadway has been marked by milestones of achievement and the building of the accident and health business to a first place rank among the various casualty insurance coverages.

In 1912 the Conference assisted the insurance commissioners in the drafting of the standard provisions presently in effect in 23 states. In 1916 the Detroit Conference merged with two other organizations and changed its name to the Health & Accident Underwriters Conference.

In 1919 the first Conference Manual of Classification of Risks was prepared, blazing a trail of greater uniformity in accident and health underwriting.

In 1921 the Conference embarked upon a program of collection of statistics which resulted in later years in the preparation of net premium tables which are still in use.

In 1923 executive headquarters were established and a permanent staff employed to develop a clearing house for the dissemination of information to members. Committees have been created to explore new fields of coverage. Much research has been done and experiments have been made with the result that today the accident and health premium volume is not measured by hundreds of thousands of dollars but by hundreds of millions.

Among the constructive activities undertaken by the Conference in addition to its compilation of statistics in the middle twenties has been the simplification of the Conference Manual, the work of its education committee in developing an institute providing courses of study for home office employes, the publication of several pamphlets of an educational character for the use of accident and health agents, the preparation of a set of tables for calculating non-cancellable accident and health reserves (adopted by most states), its activity through its public relations committee in developing practical programs of public relations activity, its sponsorship of Accident and Health Insurance Week, the constructive work accomplished by its agency management committee, the studies made and data collected by its franchise, group, hospital, and medical committees, its development of a better understanding by insurance supervisory officials of the accident and health business, and its sponsorship through the years of much constructive legislation tending to strengthen the regulatory authority of state insurance departments and at the same time providing enabling legislation that has opened the doors to additional much-needed protection provided to the public.

The rapid growth of the Conference in its membership has been accompanied by an equally rapid growth of its service to its membership. Bulletins, reports, new coverage, new ideas, reference digests, and other material keep its membership constantly informed as to "what is going on in the accident and health field."

Thus, the chronological history and development of the Conference parallels the growth and achievements made by THE NATIONAL UNDERWRITER in the field of insurance journalism. The path ahead offers a challenge and an opportunity to both.

R. W. Stevens and the Wrecking of the Illinois Life

The late Raymond W. Stevens of Chicago, who was vice-president and head of the agency department of Illinois Life, was sales minded. He developed a body of agents who were excellent producers and his organization in Illinois was one of the finest ever seen in that state. His star producers were members of the "Green Signal Club."

"R. W." as he was known, was a busy man, always on the go, always inspiring and encouraging his men in the field. He had no place for the loafer or the man who soldiered on the job. Illinois Life conventions were notable for their excellent material obtained from agents on the firing line. They closed with a banquet devoid of insurance talk, but "R. W." always had some special feature.

For instance, Harold Danforth, one of the big Illinois Life agents, wrote $1 million of insurance on William Wrigley, chewing gum magnate. But few of the people at the banquet knew Mr. Wrigley. "R. W." introduced him at the banquet, and Mr. Wrigley received quite an ovation. He began to tell about his experiences with Mr. Danforth. He explained in detail what Mr. Danforth had said to him about his insurance. The exposé was so surprising that the agents simply felt overwhelmed with humiliation. They thought Mr. Danforth had told Mr. Wrigley a lot of entirely erroneous stuff about his insurance. Mr. Danforth appeared to be quite agitated. He arose to explain the situation and defend himself. As he was talking, he approached the rostrum, whereupon Mr. Wrigley mounted the platform and did a remarkable dance. He turned out to be Charlie Bates, a well known entertainer.

The collapse of the Illinois Life was a cruel blow, and it eventually led to R. W. Stevens' suicide. The company was in excellent shape but J. W. Stevens and his son, Ernest J., R. W.'s brother, were ambitious to build what they termed the greatest hotel in this country. They already owned the LaSalle hotel free of all encumbrances, and it was yielding a profit of $250,000 annually. When the Illinois Life had a big year, it netted the owners about $1 million profit.

The Stevens people owned also the Stevens Corporation, which controlled six office buildings. It also was profitable.

Notwithstanding this, J. W. and E. J. Stevens insisted on going ahead with the mammoth hotel project and they were encouraged by the attorney of Illinois Life. "R. W." opposed the hotel plan. He said it could not be made a paying venture. When he found himself defeated, he insisted that it not be called the Stevens hotel, since the whole proposition, as he saw it, would be involved in a scandal.

The father promised "R. W." that the hotel promoters would not call on Illinois Life for financial assistance. "R. W." felt he had done all that he could do. Without his knowledge, J. W. Stevens and his associates continued to scheme. The promoters

PENSION PLANNING COMPANY

ACTUARIES AND CONSULTANTS

The Pension Planning Company, New York, N. Y., established over 10 years ago, provides assistance in all phases of the design, installation and administration of pension and profit-sharing plans, including a complete actuarial service.

Its staff has served over 500 employers in the employee benefit field.

REPRESENTATIVE CROSS SECTION

These employers represent a broad cross-section in various lines including insurance, banking, public utilities, communication, transportation, entertainment, manufacturing, wholesale and retail, advertising, legal, accounting, educational, charitable, philanthropic, Federal, State and Municipal Governments.

All known types of pension and profit-sharing arrangements are represented in the plans of the Company's clientele.

The Pension Planning Company staff is a well rounded, fully integrated organization with present personnel of 40 associates.

The executive personnel of the Company is as follows:

DESIGNING DEPARTMENT

Meyer M. Goldstein, Director

Function: Mr. Goldstein sits with the employer on "his side of the desk" in determining whether the Company should have any plan at all and if so what the type and the specifications should be. When desired Mr. Goldstein assists in the installation of the plan including addressing employees' mass meetings as well as accompanying the employer's attorney to conferences with union representatives or Treasury officials.

Background: Mr. Goldstein, who is the founder and a Director of the Pension Planning Company of New York, is a graduate of The Wharton School of Finance and Commerce, University of Pennsylvania, and is a nationally recognized pioneer in this field. He is author of the text book, entitled "Pension, Bonus and Profit-Sharing Plans" published by the Diamond Life Bulletins of Cincinnati, Ohio, and the Pension and Profit Sharing Section of "The Financial Handbook," The Ronald Press Company, publishers. He is also the author of numerous articles that have been widely quoted, and is in constant demand as a speaker by many organizations, including American Management Association, New York University, University of Connecticut, Controllers Institute, Society for the Advancement of Management, and American Institute of Banking.

He appeared before the House Ways and Means Committee and the Senate Finance Committee in connection with Sections 165(a) and 23(p) of the Revenue Code dealing with Pension and Profit-Sharing Plans. He is a New York City General Agent of the Connecticut Mutual Life Insurance Company.

Karl Tufel, Director

Function: Mr. Tufel acts as consultant to employers on their employee benefit programs. He assists employers in the formulation, installation and servicing of retirement, death benefit, sickness disability and dismissal allowance plans, under all types of procedures.

Background: Mr. Tufel was formerly on the staff of Industrial Relations Counselors, Inc. During his 20 years with that organization he had extensive experience in the employee benefit field, through research and the designing, installation and servicing of plans of all types, in conjunction with counsel and management, boards of directors, stockholders, U. S. Treasury and the Securities and Exchange Commission. He collaborated with Mr. Murray Webb Latimer in the preparation of the two volumes, "Industrial Pension Systems", and the volume, "Trade Union Pension Systems", and is co-author of the Industrial Relations Monograph "Trends in Industrial Pensions".

ADMINISTRATION DEPARTMENT

Bernard E. Farr, Director

Function: Mr. Farr works with counsel for the client on the plan, trust agreement, application for Treasury approval, employee announcement booklet and administration problems.

Background: Mr. Farr is a graduate of Boston University Law School, was for 15 years Assistant Trust Officer and Personal Trust Officer of the Chase National Bank of the City of New York with special attention to pension planning and administraton. He is chairman of the Committee on Pension and Profit-Sharing Trusts of the Trust Law Division of the American Bar Association.

ACTUARIAL DEPARTMENT

Dr. Ernest Holzinger, Director and Actuary

Function: Dr. Holzinger is in charge of all actuarial matters—including the various annual schedules for the Treasury Department.

Background: Dr. Holzinger is an Associate of the Casualty Actuarial Society. He is a graduate of Goettingen University with a Ph.D. degree, specializing in actuarial science and mathematics. He was formerly actuary for German and Italian insurance companies, including the West German Insurance Society, Provident Life Insurance Company, Munich Life Insurance Company and Adriatic Insurance Company.

Jonas J. Schreiber, Actuary

Function: Mr. Schreiber is supervisor of all actuarial work.

Background: Mr. Schreiber, after graduating from the University of Iowa, specializing in mathematical studies, served as an actuary for a consulting actuarial firm. His work included mathematical calculations of cost of pension systems. Captain Schreiber came with this organization upon being relieved of active duties with the Army Air Force.

Gabriel M. Hellman, Actuary

Function: Mr. Hellman is in charge of all computations.

Background: Mr. Hellman is a graduate of the College of the City of New York, with a B.S. in mathematics and holds an M.S. in mathematics from New York University. He was a former instructor in mathematics for the New York City Board of Education and was with various Government Agencies as statistician.

Russell R. Reagh, Consulting Actuary

Function: Mr. Reagh is actuarial consultant on all matters.

Background: Mr. Reagh is a graduate of the University of Michigan specializing in mathematical studies. For over 15 years he has served as actuary for pension plans of leading organizations. He is also a member of the Actuarial Advisory Committee of the Railroad Retirement Board and a member of the Federal Board of Actuaries.

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New Mortality Tables

Educational program needed to display benefits to the public

BY A. N. GUERTIN

WITH the rash of public opinion sampling which has developed over the last 15 years, it is almost inconceivable that any organization would undertake any major project unless bolstered by an appropriate survey. There has never been need, however, for a public opinion survey to demonstrate the reaction of the public to the continued use of the American Experience Table of Mortality by life insurance companies, a table published in 1868. Company officials, agents and the insurance commissioners of the several states have been too well aware of the misunderstanding which has been prevalent over many years with respect to it. What has not been understood is the fact that under statutes as they existed just a few years ago it was almost impossible for a company to make its actuarial computations on any other basis. The commissioners, however, were well aware of the fact that this was a legislative problem and that the continued use of the table was not the result of company preference.

As is well known, this knowledge was translated into action in 1936 following a forceful address on the subject by Insurance Commissioner George A. Bowles of Virginia, who was then president of the National Association of Insurance Commissioners. The tremendous tasks of making the necessary studies and the preparation of a satisfactory mortality table was given to an actuarial committee of the association, on which the Actuarial Society of America and the American Institute of Actuaries were professionally represented. A study of legal requirements, company practices and the economics of distribution as applied to life insurance soon convinced the committee that the task facing it was much greater than first realized because not only was it necessary to revise valuation standards, if a new mortality table were to be introduced, but also standards for the calculation of nonforfeiture benefits and cash values would have to be completely revamped.

It will be seen, therefore, that it was the commissioners' organization which assumed the task of modernizing the mathematical basis of life insurance, of eliminating obsolete valuation standards and of promoting the appropriate legislative program throughout the country. Once the program was completed, it gained the full support of the life insurance business nation-wide. There was good reason for this since the program of the commissioners, upon careful analysis, was not only workable but was in every sense beneficial to the companies themselves and, more important, to policyholders and the general public.

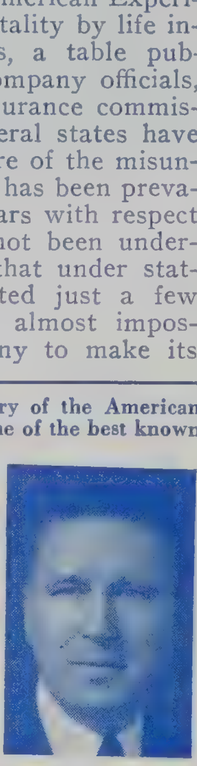
THE new program, although represented by very complicated legislation, is simple in its objectives. It provides for the use of the Commissioners 1941 Standard Ordinary Mortality Table, more popularly known as the CSO Table, as the basis for policy calculations in ordinary policies issued after January 1, 1948. It also provides for the use, after the same date, of the 1941 standard Industrial Mortality Table in connection with industrial policies. A new formula for the establishment of minimum nonforfeiture benefits is included, which is designed to take into consideration the incidence of normal acquisition and operating expenses. This formula is applicable to all companies regardless of the basis used in the valuation of policies and establishes a floor above which there will be free play of competition in the granting of nonforfeiture values among the companies. Plans of companies already laid and policy forms already adopted indicate that nonforfeiture benefits, under the new forms of policies, will be liberal indeed. The third phase of the program involves the limited disassociation of the bases used for policy reserves and nonforfeiture benefits in such a way that the companies will be free to adopt more conservative valuation bases than they have heretofore been free to do. It will facilitate the strengthening of reserves from time to time as the circumstances warrant. Thus the new standard nonforfeiture and valuation laws meet the needs of the times and do so in a manner which should be highly satisfactory to the public.

With the drafting of these laws and the preparation of the modern mortality tables which accompany them, the committee appointed by the commissioners completed its part of the job. Having approved the program, the commissioners had before them the task of securing the enactment of these laws in 48 states and the District of Columbia. Fortunately, however, a number of states had statutes on their books which would permit companies to operate under the new laws without amendment. The task of legislative amendment has been completed to a large extent. Twenty-four states have already enacted the legislation, as approved by the commissioners, and two other states have modified their laws so as to make the program workable within their jurisdictions. Since, in many of the states adopting the new laws, the mandatory date was set at January 1, 1948, every effort will be made by the commissioners to complete their legislative program during 1947 by the introduction and strong support of bills in the remaining 13 states and the District of Columbia. In this endeavor the commissioners will have the strongest possible cooperation from the life insurance business.

THE history of the legislation, since approval of the program by the commissioners in 1942, does not lack in difficulties in securing passage of the legislation. The year 1943 saw the enactment of the model legislation without difficulty in some 14 states but failure of the program in one or two important states had the result of slowing down progress very materially. The technical features of the legislation made it very difficult to handle from a legislative standpoint and the program was attacked by a few but very vociferous critics who maintained that its enactment would result in an increase in the cost of insurance to the public. Nothing could be farther from the truth, but these criticisms did have the effect of making legislators stop, look and listen. These charges can be disposed of in comparatively short order and there seems to be little to fear for the success of the program during the current legislative year. There is every reason to believe that either mandatory or permissive legislation will be adopted during 1947 where legislation is required.

In retrospect, it may be unfortunate that little has been done in connection with this program to establish its benefits clearly in the public mind. As is well known, the National Association of Insurance Commissioners does not, in any of its activities, operate through the media of public education. It does its work in a quiet, efficient way, making its recommendations to individual commissioners and depending upon them to approach their respective legislatures. It may well be that a broad program of education directed to both the public and the agency forces of the companies would have helped materially in the legislative program. Many have been of the opinion that the benefits were so obvious that there was no need for such an undertaking. Such a program of education, however, lies ahead of the companies if they are to receive the full advantage of public reaction to the modernization of the actuarial basis of their insurance operations.

During the coming months the life insurance companies face the huge task of preparing new policy forms, new rate books and appropriate revision of literature directed to the agent. No one who is at all familiar with the intricacies of life insurance operation would attempt, for a single moment, to minimize this task. On the other hand, it is a task which the companies face willingly — believing, as they do, that they, as institutions which depend entirely on the promotion of the public interest, will benefit greatly. It is apparent from a review of all the various steps and those remaining to be taken, that the establishment of this program will have consumed an enormous amount of effort on the part of our public servants and technicians in the life insurance business. It is not likely that the public will ever realize how great an amount of time and labor will have gone into this task but perhaps it is not important that they should. It is sufficient that the commissioners and the companies will have the satisfaction that through cooperation they have succeeded in serving the public just a little better than they would have if this program had not been conceived and executed.



A. N. Guertin

A. N. Guertin, actuary of the American Life Convention, has one of the best known names life insurance wise because of the so called Guertin legislation to require a new mortality table, new rules as to reserves and valuations, and better protection of nonforfeiture values. The National Association of Insurance Commissioners decided that a new mortality table was necessary and that life insurance contracts should be better ballisted in certain respects. The committee was to formulate recommendations for changes. Mr. Guertin, who was then actuary of the New Jersey department, was appointed chairman. Other department actuaries were named and they selected some company actuaries to work with them. The recommendations have been highly praised by all who have studied them. Mr. Guertin was born in Hartford in 1900. He is a Trinity College man. From 1922 to 1929 he was connected with the actuarial department of the Connecticut Mutual Life, when he became New Jersey actuary.

Illinois Life Failure

were in New York on the birthday anniversary of "R. W." His father sent a telegram of congratulation, paying a notable tribute and told him how proud he was of his record and achievements. He concluded by saying that it had been decided to call on Illinois Life to buy a large block of Stevens hotel bonds. The Stevens, he said, would be a great profit producer. "R. W." sent a vigorous and severe protest to his father. However, he was overridden and that crushed his heart. It was the Stevens hotel project that wrecked Illinois Life and the other Stevens' properties. — C. M. C.

For fifty of our fifty-eight years of existence

THE CHICAGO ASSOCIATION OF LIFE UNDERWRITERS

has had the kindly counsel and helpfulness of one beloved of all in the insurance field.

As each succeeding organization developed to serve a segment of the life insurance business, it, in turn, shared in his watchful interest.

The Chicago life insurance fraternity joins unitedly and wholeheartedly in paying tribute to

1897 — Charles M. Cartwright — 1947

Editor, National Underwriter

LIFE AGENCY MANAGERS OF CHICAGO	John M. Caffrey, President
CHICAGO LIFE INSURANCE AND TRUST COUNCIL	Earl M. Schwemm, President
CHICAGO CHAPTER, CHARTERED LIFE UNDERWRITERS	Eugene Rappaport, President
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Advisory Council	Gerard S. Brown, Chairman
Group Supervisors Division	George Baldwin, Chairman
Life Agency Cashiers of Chicago	Ruth Swindell, President
Women Life Underwriters of Chicago	Alice Reichel, President

Thanks for a Job Well

IN no other field of enterprise is the passage of time noted with more intimate concern than in the insurance business.

The nature of their business, which to a large extent is based on the element of time, makes insurance men keenly aware of the importance of the calendar. Thus, anniversaries assume a peculiar significance among members of the underwriting profession.

The achievement by *The National Underwriter* of fifty years of service to the insurance field calls for special observances and presents the opportunity to compliment the insurance trade press, of which *The National Underwriter* is an illustrious member.

The primary function of the newspaper or trade journal is to gather information and to provide it quickly, accurately and clearly, accompanied by appropriate interpretations and observations, to persons who need and desire this service.

The insurance field is well served in this regard by its trade press, and by *The National Underwriter* in particular. Its editors and reporters have supplied news and observations to agents, brokers and company men in a quantity and with a speed which would be quite impossible by any other means. Neither time nor money could avail the individual insurance man or company the wealth

Done

of information which may be found in any one issue of, say, *The National Underwriter*. Furthermore, the percentage of error among these editors and reporters has, over the years, been virtually infinitesimal, and their attitude has always been eminently fair.

A secondary, though nonetheless valuable service provided by the insurance trade press is its availability as a means of communication between companies and their representatives. Information concerning new forms of coverage and new methods of underwriting can be supplied by companies to agents and brokers in a manner more economical and more rapid than would be possible by any other method. Through the years we have been pleased to take advantage of this service offered by the insurance press and by this means have conveyed many important messages to agents and brokers throughout the continent.

To the insurance press—and especially to *The National Underwriter*—we are happy to say, "Many thanks for a job well done."

The Travelers

The Travelers Insurance Company
The Travelers Indemnity Company
The Travelers Fire Insurance Company
The Charter Oak Fire Insurance Company

HARTFORD, CONNECTICUT

How the well appointed agency looked when *The National Underwriter* first appeared. The scene is San Antonio, Texas. The gentleman dictating to the stenographer is Harry A. Hunsaker, Travelers representative, whose son, James W. Hunsaker, now carries on the Travelers tradition at Denver, Colorado.

What the smartly turned out feminine member of an agency wore in the office a half-century ago is illustrated here by two young ladies who were associated with Preston & Olmstead, Inc., of Springfield, Mass.—an agency which has represented The Travelers nearly eighty years.

One of the oldest agencies representing The Travelers was founded some eighty years ago by DeWitt Fisk Willcox at Columbus, Georgia, now conducted by his grandson, Frank G. Lumpkin, under the name of Willcox-Lumpkin Company. Here's how it looked when *The National Underwriter* was born.

Troubles of Insuring Early Autos

Volume increased 164.4% from 1926-1941 compared with decline of 9.8 in other lines

BY TUDOR JONES

AUTOMOBILE historians have agreed upon 1896 as Year 1 of the Automotive Era—although the famous Selden patent, which claimed to hold exclusive rights to the manufacture of internal combustion engines, was granted in 1895 and as far back as 1868 horses were being frightened by noisy, motor-propelled vehicles.

The great automobile industry now centered at Detroit devoted a week last July to pageants, fetes and celebrations in observance of the golden anniversary of the once-despised horseless carriage. The one- and two-cylinder contraptions which had acquired the name of horseless carriages were, a half century ago, in the first stage of evolution from a buggy equipped with a motor to a high-powered, scientifically-built vehicle. Charles Duryea of Springfield, Massachusetts, built a gig which made automobile history—and in 1896 this vehicle, driven by the inventor, hummed along in the gaudy street parade which marked the arrival of the "greatest show on earth." This was "the identical Duryea horseless carriage" which had recently won the Chicago Times-Herald race.

In those early days a motor car was regarded less as a means of transportation than as a sporting proposition, and few people thought it would ever displace the horse and buggy. In a phrase then prevalent, the auto game was primarily a pastime for sportsmen, as old-time society reports of racing on the beaches and the running of obstacle courses on the spacious lawns of the wealthy will well testify.

At the turn of the century the automobile began to assume its role as a means of transportation. The first national automobile show was held in 1900—and although gasoline cars had to share honors with electrics, purchasers who had a preference for the former type could take their pick of 19 horsepower cars at $1,800.

WHEN THE NATIONAL UNDERWRITER began publication 50 years ago, teams public liability insurance was the nearest thing to automobile insurance. By the following year, however, when the infant industry was actually producing about 200 cars and finding buyers for them, the various dangers inherent in these road-demons began to be apparent. Horses were frightened by the fire-breathing monsters and frequent runaways were causing injury to persons and damage to property—and it was at this time that the necessity for protection against the destructive tendencies of the automobile was recognized by car owners and insurance companies alike.

The first automobile insurance was issued by Travelers on a teams liability form to a Buffalo, New York, doctor on February 1, 1898. Regarding the future of the horseless carriage, however, underwriters were as skeptical as everyone else outside the struggling industry, and therefore several years passed after issuance of the first liability policy before automobiles were considered eligible for fire insurance coverage. The companies still feared the internal fire hazard but would insure against fire from outside sources—the initial step in finally offering full fire coverage.

The first automobile fire insurance policy on record in the United States was issued in 1902 by the Boston insuring a car against fire while in transit to this country from England. In writing this risk as an accommodation for a policyholder, a "schooner form" was used. Not long afterward United States Lloyds issued a fire policy on a car—and in 1904 the Boston paid its first large automobile claim. These companies were exceptions, however, for most fire insurance companies held aloof, awaiting developments before committing themselves to underwriting fire risks which they considered inherent in gasoline cars.

Although companies refused to be stampeded into writing fire coverage on automobiles, this class was accepted in a limited way as early as 1906, as can be attested by the fact that on July 2 of that year Assistant Secretary A. N. Williams of the Aetna Insurance Company sent out a letter informing agents under what conditions the company was willing to write automobile insurance. (Note illustration.) Within the next few years most of the leading stock fire insurance companies had either begun writing this class of business or were about to begin to do so.

Coverages other than fire gradually appeared as the need for them became apparent. The one exception was insurance against theft—for with the few cars in existence, the general lack of knowledge required for operating and maintaining the vehicles and the poor road conditions, the risk of theft was practically non-existent, thus inviting some companies to write this coverage without charge.

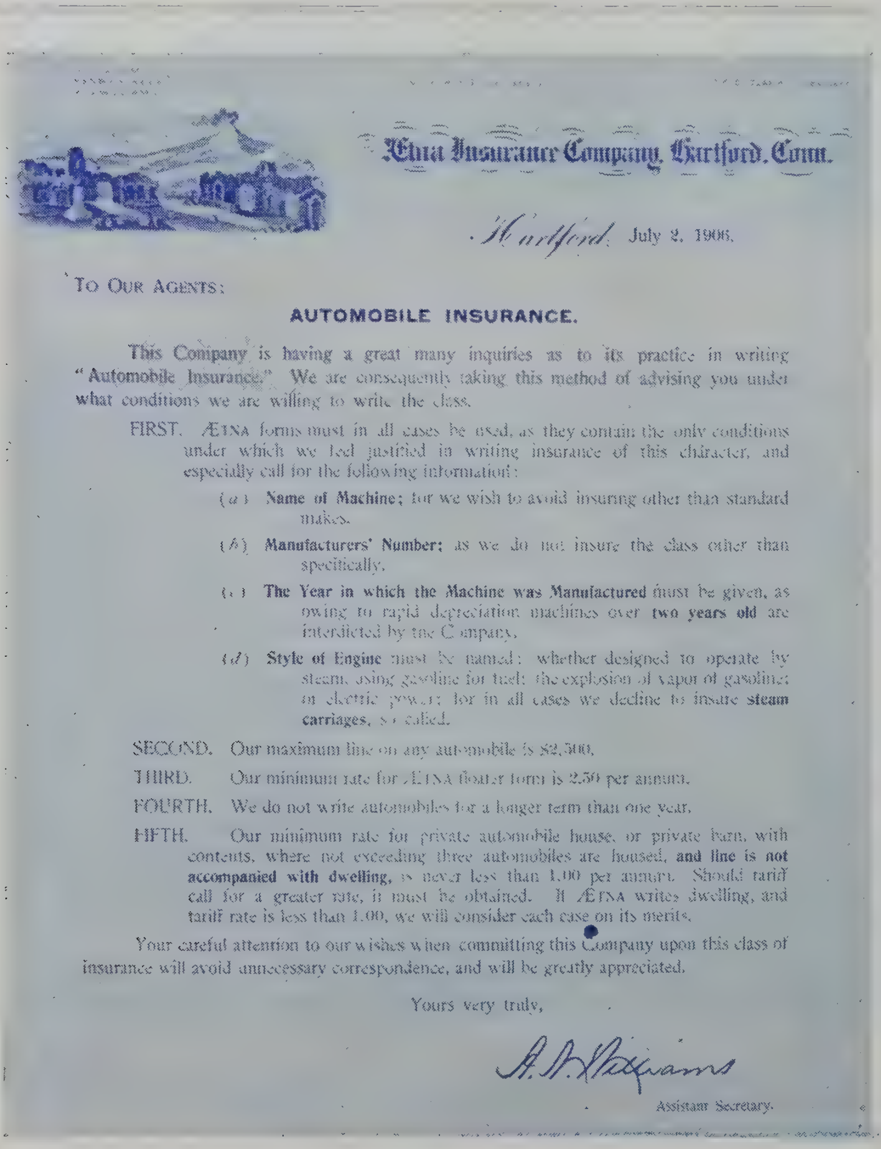
By 1909 the insurance offspring of the mechanical age had begun to assume a definite form and insurance companies, needing legal authority to insure automobiles against damage from fire, transportation hazard, theft and collision, were having their charters amended. Separate automobile departments began to make their appearance and the automobile policy, destined for many changes, was offered to the public.

For their agents' use, the Aetna's automobile department brought out the first list of automobiles—a book showing model, body type, list price, horse-power, and other information. This 1909 list includes two one-cylinder cars (a Cadillac and a Reo), three two-cylinder cars (an Auburn, a Buick and an Oakland) and several four-cylinder models. Only five makers listed a six-cylinder car—among them Ford with its Model K selling for $2,800. Kisselkar, Peerless, Pierce-Arrow and Stearns were also listed in this category, along with other makes which have also passed out of existence.

WITH the multitudinous forms of coverage, restrictions, exclusions, endorsements and interpretations under the automobile policy, the necessity for establishing certain standards of practice became apparent to all automobile insurance underwriters quite early. The Association of Automobile Underwriters was formed in December, 1909, and in 1911 its name was changed to the National Automobile Underwriters Conference. This latter organization was the coordinating or directing body of four local conferences (which were in a degree autonomous)—these conferences being eastern, western,

Tudor Jones is secretary of the Aetna and its three fire subsidiaries—World Fire & Marine, Piedmont Fire, and Standard of New York. He is in charge of the automobile department. His insurance career began in 1925 as an agent and broker. In 1926 he joined Rule & Sons, a large Los Angeles agency. A year later he was made assistant manager of its automobile department and a short time later was appointed manager. In 1930 he joined the Pacific Finance Corporation to organize its insurance department. In 1938 he went to Hartford with the Aetna as general agent to manage and develop the automobile department. He was named assistant secretary in 1940 and secretary in 1944.

Tudor Jones



Ætna Insurance Company, Hartford, Conn.

Hartford, July 2, 1906.

TO OUR AGENTS:

AUTOMOBILE INSURANCE.

This Company is having a great many inquiries as to its practice in writing "Automobile Insurance." We are consequently taking this method of advising you under what conditions we are willing to write the class.

FIRST. ÆTNA forms must in all cases be used, as they contain the only conditions under which we feel justified in writing insurance of this character, and especially call for the following information:

(*a*) **Name of Machine;** for we wish to avoid insuring other than standard makes.

(*b*) **Manufacturers' Number;** as we do not insure the class other than specifically.

(*c*) **The Year in which the Machine was Manufactured** must be given, as owing to rapid depreciation machines over **two years old** are interdicted by the Company.

(*d*) **Style of Engine** must be named: whether designed to operate by steam, using gasoline for fuel; the explosion of vapor of gasoline; or electric power; for in all cases we decline to insure **steam carriages**, so called.

SECOND. Our maximum line on any automobile is $2,500.

THIRD. Our minimum rate for ÆTNA floater form is 2.50 per annum.

FOURTH. We do not write automobiles for a longer term than one year.

FIFTH. Our minimum rate for private automobile house, or private barn, with contents, where not exceeding three automobiles are housed, **and line is not accompanied with dwelling,** is never less than 1.00 per annum. Should tariff call for a greater rate, it must be obtained. If ÆTNA writes dwelling, and tariff rate is less than 1.00, we will consider each case on its merits.

Your careful attention to our wishes when committing this Company upon this class of insurance will avoid unnecessary correspondence, and will be greatly appreciated.

Yours very truly,

A. N. Williams

Assistant Secretary.

TO
CHARLES M. CARTWRIGHT

GREETINGS

We extend our felicitations to you on your Fiftieth Anniversary as an insurance journalist, and congratulations on the Fiftieth Anniversary of the National Underwriter.

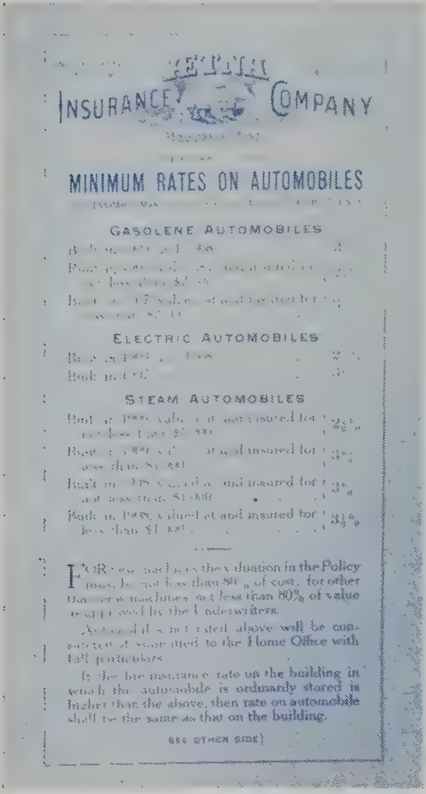
You may well be proud of your achievements and of the great publication which symbolizes your name, and which is stamped with your integrity.

You have been sympathetic and friendly to the great business of insurance and have contributed to and shared in its development. We salute you, and express the hope that you may continue to be with us and of us for many years to come to devote yourself happily to your literary profession, and to delight your legion of friends and readers with those articles of such absorbing interest that flow from your versatile pen.

HERBERT A. CLARK, *President*

WESTERN INSURANCE BUREAU, INCORPORATED

CHICAGO ILLINOIS



ÆTNA INSURANCE COMPANY

MINIMUM RATES ON AUTOMOBILES

GASOLENE AUTOMOBILES

ELECTRIC AUTOMOBILES

STEAM AUTOMOBILES

If the fire insurance rate on the building in which the automobile is ordinarily stored is higher than the above, then rate on automobile shall be the same as that on the building.

(SEE OTHER SIDE)

Early auto rate sheet. Courtesy Aetna Group.

southern and Pacific Coast—and it had final authority in matters where the exercise of authority was legal and necessary.

Due to the fact that automobile business was increasingly a national underwriting problem through the standardization of the property to be insured and the coordinated activities of the industry itself, underwriting situations effective in one territory became equally operative in another or had an important influence thereon—and it was apparent that closer coordination nation-wide of underwriting practices, rating methods, and the like was essential. Therefore, in 1928 Guy E. Beardsley, president of the National Automobile Underwriters Conference, called a meeting of all companies writing automobile fire business to discuss the organization of a stronger and more representative body. Conditions in the automobile field were chaotic—so to restore order and avert further losses, a committee of 20 executives submitted a plan for a strong supervisory body to establish sound standards of practice—and their recommendations were carried out. The former conferences were therefore dissolved and on February 26, 1930, the National Automobile Underwriters Association was organized, having primary jurisdiction throughout the country where such jurisdiction might be lawfully exercised, with branch offices in each of the territories heretofore under the supervision of local conferences.

FROM the very insignificant beginnings of extending coverage on horseless carriages, the automobile insurance business in comparison with other forms of insurance has grown to tremendous proportions. In 1926 automobile premiums constituted 11.8% of the total volume written by the stock fire companies, whereas in 1941 the proportion of automobile premiums to the total writings of stock fire companies was 28.3%. (The calendar year 1941 is used in this example as that was the last year in which the manufacture of automobiles was in full production and is what might be called the last normal year in which the companies had insurance on this full automobile production.)

It is also interesting to note the increase in automobile premium volume as compared with all other classes of insurance. From 1926 to 1941 the premium volume on automobile business increased 164.4%, whereas the premium volume on all other classes of insurance (excluding automobile) showed a reduction of 9.8%.

There is little doubt today but that the rapid growth of the automobile industry rests to a great extent on the ability of the insurance industry to extend protection, as few financiers would have been willing to undertake the financing of automobiles, knowing the risks involved, and individuals would have hesitated to expose a substantial investment in an automobile to the multiple hazards of transportation.

Present-day underwriting problems are varied. The war years of 1942-45 presented to the automobile underwriter new and different problems—and while the changes during the early postwar period were many, we may expect even other changes before we reach a stable period. We believe automobile underwriters have met the problems soundly and with consideration to all parties interested and affected. We also believe the future will hold much for those who play some part in this great automobile business—whether it be manufacturing, sales, finance or insurance.

MODERN ADJUSTMENT

THE CHICAGO fire in 1871 gave rise to the bureau system of loss adjustment in effect today. Before that the fire work was done largely by what might be termed general agents whose other duties included inspecting towns, making maps, obtaining new business and fixing rates.

Although the agents' duties were multitudinous, their adjustment work was simple compared with the work

GEARED · FOR · TODAY ·

INSURE YOUR PROPERTY IN THE PHOENIX INS. CO. OF HARTFORD, CONN

FIRE PHOENIX HARTFORD

THE PHOENIX - CONNECTICUT GROUP
of Fire Insurance Companies

The Phoenix Insurance Company
Hartford, Conn.

The Connecticut Fire Insurance Company
Hartford, Conn.

Equitable Fire & Marine Insurance Company
Providence, R. I.

Minneapolis Fire and Marine Insurance Company
Minneapolis, Minn.

The Central States Fire Insurance Company
Wichita, Kansas

Great Eastern Fire Insurance Company
White Plains, N. Y.

Atlantic Fire Insurance Company
Raleigh, N. C.

· TIME · TRIED · AND · FIRE · TESTED ·

performed by the present day adjustment concerns. Losses under fire and tornado policies comprised the bulk of the work at the beginning of the 20th century whereas today the complexities of our present so-called advanced civilization with the development of the automobile, electricity and its appliances, radio and airplane, have brought about such ramifications in insurance adjustment as leasehold, use and occupancy, profit and commission, riot, strike and civil commotion, various forms of marine, inland, all-risk, automobile, aircraft and many others.

The Chicago fire with its property loss estimated at almost $200 million resulted in a multiplicity of doubtful and fraudulent claims so that it was necessary for the home office agents who had taken charge to form a sort of clearing house through which claims were processed. This cooperative action on the part of the insurance companies was the seed from which has grown the present day adjustment bureau.

THE first tangible effort to form an adjustment group, however, was not started until 1875 when in Cincinnati several insurance companies selected from their number a loss committee which followed the procedure of naming inspectors to view losses and then report back for final action by the committee. Subsequently the arrangement was changed so that the committee appointed adjusters with full authority to settle losses.

Instead of a committee there was a changing group of agents and company men who named a representative or representatives to carry on negotiations but who retained full charge of the proceedings. The committee sometimes took over salvage stocks for liquidation, a practice which brought upon itself criticism and resulted finally in a number of companies each appointing its own adjuster who functioned regardless of any committee.

To keep face, the committee then appointed some company adjuster as a group representative but this procedure fell into disfavor when the adjuster used his position to make friends and business for his company while acting for the committee.

RETURNING to the system of company individual adjusters, the difficulty arose of each trying to impress on the assured the liability of his company.

In an effort to remedy this situation, these adjusters formed themselves into a committee which selected one or two representatives to carry on negotiations and report back to the committee as a whole.

The committee gathered in a city where a fire had occurred and, with the exception of one or two of its members actively engaged in negotiations, whiled away the time, always at the expense and sometimes to the embarrassment of their companies. With this drawback, the system continued for years, members of the adjustment committee being loathe to give up a good thing.

When in competition with each other, company adjusters always tried to impress the insured with the liberality of their individual companies. Acting in committee for all insurance firms, the adjusters took the opposite tack, trying to settle claims as cheaply as possible without regard to the ends of justice. This latter policy resulted in adverse public opinion for the insurance companies, unfavorable judicial decisions and oppressive legislation, the effects of some of which are felt to this day.

IN 1879 the age of associations and organizations in the insurance business began, and in 1885 the Western Adjustment & Inspection Bureau was formed.

The bureau idea of adjustment was not well received by the great majority of independent adjusters who saw in the development the loss of a lucrative practice.

Nevertheless slow but sure headway was made against obstacles almost insurmountable until today the organization is highly departmentalized. Its adjusters are specialists in the various phases of insurance and of business, operating in certain geographical areas.

PHOTO COURTESY
W. & J. SLOANE & CO.

THE TEST OF TIME

Time puts many organizations out of the running, but it adds to the prestige of others. The only institutions that survive and thrive are those that can pass the test of time. There is no better indication of an organization's worth and the usefulness of its service than its ability to meet this challenge.

On this Fiftieth Anniversary of the National Underwriter, the Sun, world's oldest insurance company, takes pleasure in extending congratulations and best wishes.

Fire and Allied Lines

SUN
INSURANCE OFFICE
LIMITED

PATRIOTIC INSURANCE CO. OF AMERICA *SUN UNDERWRITERS INS. CO. OF N. Y.*
SUN INDEMNITY CO. OF N. Y.

NEW YORK: 55 Fifth Avenue CHICAGO: 309 W. Jackson Boulevard
SAN FRANCISCO: Swett & Crawford, Gen'l Agents

O.C. Agents Get and Give Streamlined Service

There's no speed limit to Ohio Casualty's claim service. Every day, in every way, we are striving to live up to and enhance our reputation for FAST, FRIENDLY, COAST-TO-COAST CLAIM SERVICE.

But that's only one side of the picture. In the Underwriting Department we are constantly learning and applying new ways to simplify the writing of business for our agents.

Here's one good example:

We have set up facilities enabling Ohio Casualty agents to pre-qualify contractors in their localities directly through the nearby branch office, thus speeding up the bonding procedure by eliminating need for home office verification.

We cordially invite responsible agents everywhere to get in touch with us with a view to joining our ever-growing nation-wide corps of representatives.

THE Ohio Casualty
INSURANCE COMPANY
Home Office—Hamilton, Ohio

fast, friendly coast-to-coast claim service

The General Agencies

Bona Fide Use of System Extends Benefits of Company Organization to Local Region

By H. C. STEBBINS

THE general agency system of operation apparently originated in Great Britain, as it was used by the British companies quite extensively in handling their foreign business and was introduced in this country by the British insurers. They appear also to have been the first to give our American agency system its name.

More than three-quarters of a century ago, insurance was being written in that territory now known as the Mountain States, and that location, so far removed from company managerial offices, became the birthplace of the "managing general agent." At that time the insurance business in North America was largely handled by the British carriers.

Most of them had entered the United States by way of the east coast. Others first entered the country on the Pacific Coast.

Later, the companies domiciled in the east established western departments, usually in Chicago. These departments, in turn, extended their operations westward.

Those pioneers of insurance, located in what is now Colorado, were so far removed from both the company offices in the east and those on the Pacific Coast, that it became necessary to invest them with authority much broader and more comprehensive than that conferred upon a local agent and, therefore, the forerunner of the managing general agent of today came into being.

Certain companies soon thereafter made appointments in Texas and California where the same broad powers were given. In all three of these sections the pioneer offices so appointed had supervision over tremendous territorial areas, and for this reason we regard these sections of the country as the true original general agency territories, even though, prior thereto, an insurance office in Pennsylvania, handling a small territory by comparison, was similarly invested with broader authority than were local agents.

Our records show that in 1825 one Ephriam Robins was engaged in the insurance business in Cincinnati, representing Protection Fire of Hartford, with authority to select agents for that company in Ohio. He was remunerated on a percentage basis, but whether or not he held title to the agency plant so established is unknown.

WITH the passing of the years the success of these pioneer general agencies led to the establishment of numerous other general agency offices—not only in those sections, but throughout the south and the southeast, and gradually this method of operation was extended in practically all parts of the United States to such an extent that true managing general agency offices are now found practically within the shadow of the home office buildings in Hartford and New York City.

In due course, however, and after nearly a half century of true general agency operations, various companies seeking to develop premium volume, made various so-called general agency appointments quite promiscuously and developed an unhealthy situation through greed for business by selecting prominent local agencies, giving them a general agency contract, which was usually a subterfuge for the payment of excess commissions and the securing of a preferential position in such agencies without requiring true managing service throughout a specified territory.

This developed such a serious situation and caused the loss of business to companies long represented in such local agencies, that it naturally created an antagonism against the general agency system. This was not due to any fault of the general agency system, but was due entirely to the greed of the companies themselves.

The bona fide managing general agents, realizing the increasing antagonism against their method of operation, became deeply concerned, and in various parts of the country formed regional associations and, as was to be expected, even those offices which were of the type responsible for the antagonism which had developed, became members in many cases of the regional organizations.

Finally, in 1926, a group of general agents in the south formed an association known as the Associa-

H. C. Stebbins

Herbert Cobb Stebbins of Denver, secretary of the American Association of Insurance General Agents, was one of its founders and its first president. He has a notable ancestry. The Stebbins family settled in New England in the 17th century. His great grandfather and his grandfather were pioneers in Colorado. The Cobb family were early settlers in America. Charles D. Cobb, the founder of the present Cobb & Stebbins General Agency went to Colorado before the close of the Civil war and founded the agency in 1870. Mr. Stebbins started his insurance career in this agency in 1906.

tion of Fire Insurance General Agents and conceived the idea of making that association a national organization. The late Thomas L. Lauve of Dallas became the first president. Invitations were sent to various general agents throughout the United States to become members and, within a few years, more than 100 offices bearing the title of general agents became members of the Association of Fire Insurance General Agents.

In 1929 the constitution and by-laws were changed providing that, in order to be eligible for membership in the association, a general agent must be engaged solely in the general agency business and not interested directly or indirectly in the local agency business, and the name of the association was changed shortly thereafter to American Association of Insurance General Agents.

SINCE THAT time the general agency system has grown tremendously as more and more companies turned to that method of operation in various parts of the country. In Georgia there are now 17 general agencies, members of this association; in California there are 16; in Texas 16; both Florida and Arkansas each have 13, and Colorado 12. Alabama is next with seven. Other states are well represented and general agency operations are important throughout the nation in 42 states, Alaska, British Columbia and Hawaii.

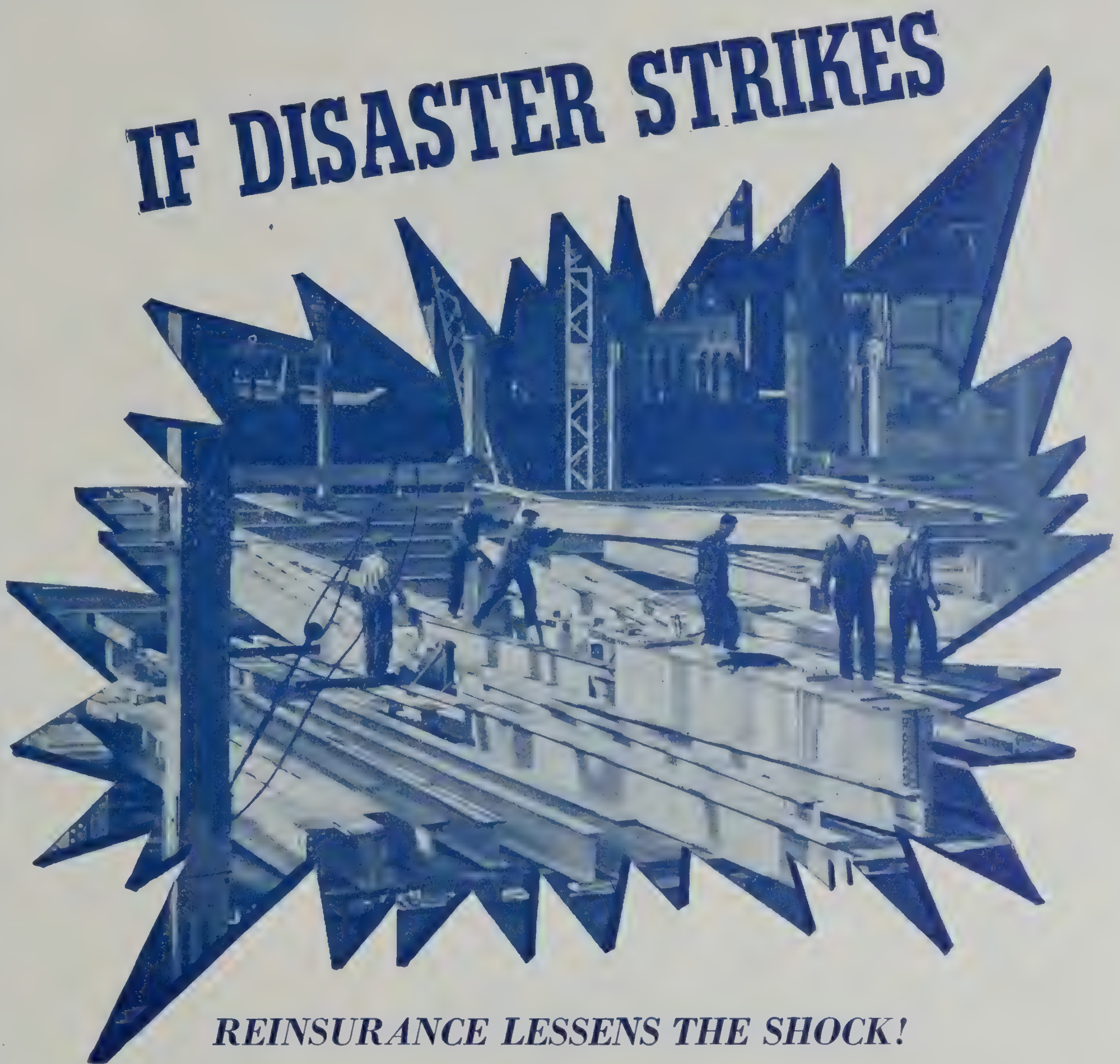
At the present time there are 183 general agencies, members of American Association of Insurance General Agents, writing over $200 million in premiums annually.

Unfortunately, the general agency system of operation is again being criticized, and again it is not the fault of the general agency system, but rather the fault of those companies which have appointed so-called general agents who are not rendering true general agency service, with the result that the companies find themselves in the position of paying for a service not rendered, necessitating a duplication of expense by reason of the fact that the companies themselves are obliged to perform the duties which the general agent should perform.

For this reason many bona fide managing general agents are of the opinion that it will be necessary to again revise the requirements for membership in American Association of Insurance General Agents and define certain duties which must be performed by a general agent in order to be eligible for membership, in addition to the requirement that no general agent engaged directly or indirectly in the local agency business shall be eligible.

IT SHOULD also be remembered that the men engaged in the general agency business are men of standing in their communities, active in civic affairs, politically and otherwise. They are influential and of the utmost importance to the companies in connection with public relations and otherwise—all working together for the common good of the companies, local agents and the insuring public. All of these general agents are independent operators owning their own businesses. Many of them could have been home office executives, but from choice prefer to own and operate their own independent businesses, and while there have been some cases of general agents who have become company executives, there are far more who have left the company ranks to engage in the general agency business.

We are certain that there will always be a place for the well-managed, successful managing general agency producing a profitable business for its companies, and we have no fears for the future of such general agency offices, recognizing that the unfit will not endure, any more than incompetent management of any kind—whether it be in the home office, the general agency or the local agency.



IF DISASTER STRIKES

REINSURANCE LESSENS THE SHOCK!

The anticipated expansion of the construction industries brings with it the possibility of catastrophes involving substantial public liability as well as compensation losses. When such disaster strikes, financial reimbursement can stabilize the aftermath of serious casualty. We offer wide experience and extensive facilities to join with you in devising adequate protection. It is one of the advantages of dealing with the EXCESS.

EXCESS

INSURANCE COMPANY OF AMERICA
NINETY-NINE JOHN ST., NEW YORK CITY

CASUALTY *FIDELITY & SURETY* *REINSURANCE*

"...SERVICE TO THE AGENT"
"...FINANCIAL STABILITY"
"...GOOD LOSS-PAYING RECORD"

What do YOU look for in a company?

Sound financial condition . . . service to the agent . . . good loss paying record . . . variety of lines . . . assistance by qualified field men . . . friendly home office facilities . . . sales promotion helps. These are the things you expect of a good company . . . these are the things you get when you represent and talk the casualty lines written by Bituminous of Rock Island.

Bituminous KNOWS what you want, for this company was founded by agents thirty years ago and is now managed by former agents. That is why Bituminous has always understood the agent's viewpoint and fulfilled its pledge of SERVICE TO THE AGENT as well as to the policyholder. BUILD WITH BITUMINOUS.

BITUMINOUS CASUALTY CORPORATION
ROCK ISLAND ILLINOIS

ASSETS OVER $16,000,000

SPECIALIZING IN: Workmen's Compensation . . . Comprehensive Liability . . . Public Liability . . . Property Damage . . . Comprehensive Personal Liability . . . Automobile Liability.

Women in Insurance Have Achieved Service Prestige

By ADA V. DOYLE

Sterling performance in war brought her a deserved recognition

WHEN thinking of the woman in insurance, our minds go back to those early days when she was so essential to the success of every insurance business and yet was taken so much for granted. How encouraged she would have been then had she received ever so little of the public recognition which she is receiving today. However, had she not been so faithful in those days, she would not have reaped this reward.

Gradually through the years it has become apparent to everyone that her natural talents and aptitudes together with a will for hard work can be used most successfully in the insurance field. Who knows better than women the need for the protection insurance gives her and her family? Through the fact that so many of the assets in the world are in her name she has been forced through circumstance to appreciate its value.

There are many fields in which she can operate. As a young girl in a small office to the head girl or manager of the large office, it has become an acknowledged fact that she is indispensable and today this is freely admitted. However, her usefulness does not stop here, and during World War II she proved herself equal to any task presented to her, whether in an executive or subordinate position.

The former worker behind the lines suddenly came to the front and did a notable job in carrying on for the man who had such a tremendous job to do in protecting his country. Here again she made a proud record as a producer, engineer, claim adjuster, in all the untried fields where results became her recognized responsibility. That she succeeded beyond expectations is now proven beyond denial.

Sometimes we fail to realize the scope of the work done by a young girl in a small office. Here she is in a position to have a part in every phase of the business and surely here she has proven herself invaluable also as a secretary and policy writer, her ability to handle telephone and office caller courteously and effectively has its own reward in keeping business on the books as well as increasing it.

OUR National Association of Insurance Women long ago recognized the need of more training to assist these girls in their work. Also, it seemed that more and more, women were entering the field through one circumstance or another and needed some means of educating themselves in the many intricacies of selling insurance, whether for themselves directly, or their employers indirectly.

We are happy to say that in spite of all the difficulties faced by us since our group was formed, especially during the war years, we were able to provide a means of education for them, where they could meet locally wherever their club was located over all the broad land and study the many types of policies and their coverages.

Through the courtesy of the National Association of Insurance Agents we were permitted to use the program which they had promulgated at the cost of much time and expense. Our girls have made and still are making an outstanding record here and many have received the certificate which is the award for having completed the course. Sometimes these girls meet in a separate group, many times they have studied with the men in a co-sponsored group, again they have been permitted to join a men's group. Such cooperation has done much for us all.

Ever since we formed we have been endeavoring to formulate a beginners' course which would be purely elementary. Due to the interruption of the war and the many shortages entailed thereby we have been unable to complete the one we had approved.

However, our Pittsburgh group through many hours of hard work has succeeded in completing a manual which is now being made available to our members. Some of our clubs have also sponsored individual study groups from their own data, their members acting as discussion leaders or instructors.

An interesting method has been used by one of the southern groups. They formed classes of students obtained from a local business school. They promised jobs in the local insurance offices to these girls and the results were eminently successful. The members of the club, of course, did the instructing. From this it is seen that we are aware of the need and the opportunity and are trying to do something about it. Also we are happy because of the recognition our work is receiving.

At the 50th anniversary convention, the National Association of Insurance Agents passed the following resolution which has encouraged us as nothing else has done:

"Whereas, the work of the National Association of Insurance Women has contributed greatly to the improvement of the insurance business as a whole,

"Be it resolved that the National

Ada V. Doyle

Mrs. Ada V. Doyle is head of the James A. Doyle Agency at Caldwell, N. J. On the death of her husband, Mrs. Doyle took over the business and is operating it with genuine success. She knows insurance and her customers have confidence in her judgment. Mrs. Doyle served as president of the National Association of Insurance Women. In that capacity she demonstrated her ability and resourcefulness. She is now chairman of that association's educational committee.

Association of Insurance Agents endorses the work of that organization, and asks that our members lend every means at their command to the support of the National Association of Insurance Women."

IN concentrating on insurance as we do, we do not fail to recognize that to be successful in this line you must have character. Courage is needed today to solve the many problems facing us all. We know that to continue successfully in our chosen field, we must have special interest in the clients in our office. Thus we are conscious of public relations; also we are patriotic and have civic pride.

Our members have done and continue to do splendid work in making themselves felt with constructive work in their communities in many, many fields. We believe in work, which is useful and of practical worth. We are endeavoring to prove ourselves dependable, efficient and cooperative along constructive lines.

Our best excuse for living is to do our work intelligently, and so serve our fellow man. Problems face us as they do all the world, but courage is our watchword.

We feel our association is filling a great need. It is evident that our efforts are being recognized and appreciated. This is our reward, but also our challenge.

Who Was the First Agent Operating in Modern Manner?

There has for some time been a good-natured friendly argument between Insurance Company of North America (1792); Hartford Fire (1810), and Aetna Insurance Company (1819), as to which started the American Agency System. Aetna bases its claim on the belief that the other two had agents earlier but that the agents sent in to the home offices applications for insurance which were passed upon by some authority there and, if acceptable, policies were written and signed in the home office and sent to the agent for delivery.

Aetna's policy issued by what is noted on the records as Agency No. 1, was written in October, 1819, at Greenfield, Massachusetts, by Franklin Ripley. The policy was signed in ink by both the president and secretary of the company and interlined was the statement that it was not valid until countersigned by Franklin Ripley. The policy is signed by Franklin Ripley and the assured was Franklin Ripley and his father. Thus there is an accurate comparison of the handwriting in the policy itself and the signature. From this it seems self-evident that thus, early in the history of the Aetna, the company signed policies in blank, sent them to the agents with authority to issue the policies and deliver them without any further conference with the home office until the account or other record of such transaction was sent in.

Franklin Ripley was succeeded in 1824 by Alanson Clark. From 1837 to 1850 Aetna has no record of representation but in 1850 its agent was Samuel I. Lyons. He was succeeded in 1892 by Charles H. Keith and in 1895 Charles F. Packard became Aetna's agent. He is still agent. Associated with him is his son, Winthrop C. Packard.

NORWICH UNION
ESTABLISHED A.D. 1797
FIRE INSURANCE
SOCIETY LIMITED

Norwich Cathedral

NORWICH UNION FIRE INSURANCE SOCIETY, LTD.
Norwich Union Indemnity Company 75 Maiden Lane, New York 7

Sitting on a mile-stone

Acclerated Advertising Demonstrates Greater Responsibility of Insurance

BY T. W. BUDLONG

A 50-YEAR mile-stone is a good place to climb up and take a look backward and forward at property insurance advertising as THE NATIONAL UNDERWRITER takes a 50-year survey of a highly successful past and a provocative future.

A fully illustrated half-century history of insurance advertising can be found by leafing through bound copies of the business press since 1897, and in that history of progress, lies a clear indication of the future trend of insurance advertising. Of course, 50 years is a comparatively short period in the life-span of the insurance business. Yet, in that short time, insurance advertising progressed from its early status—small handouts to the business press—to become a showcase for company prestige, and has gone on to take a strategic part in building the proper relationship of the insurance business and the public.

Turning the pages of the early magazines, the fact leaps up that a one-column four-inch ad, jammed with type and figures, was the big advertisement on any page. The rest of the advertising space was filled with one- and two-inchers. A few years later, company anniversaries and special events called for an occasional full page. In 1907, one company shocked the business and gratified the publisher by buying a full-page with color! In the next decade, full page ads blossomed all through the business press. Two publications claim the distinction of breaking down the sales resistance. Too many of these full-page ads were plastered with condensed financial statements—a joy to the figure boys—but the average reader didn't know a company's asset from its liability and cared less.

In this period, when the full-page ad was emerging, very few companies had anything that looked or functioned like an advertising department. Some harried executive, often the president himself, took care of advertising in his spare time. Then as now, he was a very busy man—but he wasn't too busy to see that advertising expenditures were held down. The life of a space-salesman for the insurance press was pretty rugged.

ONE by one, chief executives appointed an advertising man to serve as a buffer. He was usually tucked in a corner of the new production department. Or, if he rated a little more space of his own, he could generally be found down in the basement behind the furnace, or sharing a corner of the print shop with the boss printer. The boss printer, incidentally, considered he had forgotten more about advertising and lay-out than that new whipper-snapper would ever know.

But the advertising man is usually a hardy guy. The saga of his journey from the depths to a seat with his company's planning board would make a sizable book. Let's look at one chapter, headed I.A.C.

In 1923 a pioneer group of life, fire and casualty insurance advertising managers were attending a convention of the Associated Advertising Association in Atlantic City. One afternoon they got together to talk things over, and turned themselves into obstetricians. That afternoon something new was added to insurance advertising—the Insurance Advertising Conference was born.

A constitution and a code of ethics were drawn up, officers were elected, and plans and methods were arranged for a free exchange of accurate information by bulletin and scheduled meetings. The insurance trade press gave intelligent cooperation to the new organization, and consistently the I.A.C. and the trade press have worked together for the betterment of insurance advertising and the insurance business.

The free exchange of ideas, plans and information developed by the I.A.C. influenced the appearance of insurance advertising. Style, typography, art work, layout and other advertising techniques began to show a marked improvement. Direct mail pieces, circulars and other production aids were made more effective. Dust-gathering forms which cluttered agents' supply cabinets were eliminated. And fast-moving sales aids were substituted, tailored to fit each sales problem.

Consumer advertising in national magazines began modestly in 1925. That year, four fire and casualty groups spent a total of $317,803 in national magazines.

In 1933, because of a basic difference in sales and promotional problems, the life insurance ad

1902 1947

Our Sincere Congratulations to

C. M. Cartwright

Meeker-Magner Company

Casualty-Fire-Inland Marine-Bonds

Wabash 0460

Suite 1821 175 W. JACKSON BLVD. Chicago 4

men withdrew from the Insurance Advertising Conference to form their own organization. The smaller but well-knit fire and casualty group drew together to focus on property insurance advertising problems.

FOR the ten years before the war, part of business press and national advertising still was devoted to institutional and "hurrah for our side" ads. There are pros and cons as to the effectiveness of prestige advertising—but the objective was reached. Surveys showed that the public estimate of the stability of stock company insurance was not our major problem. That ten years also showed acceleration in the progress of product advertising: The actual sale of insurance coverage through good advertising copy.

During the war, the I.A.C. came into its own. Since the I.A.C. members were the advertising men of the major stock insurance companies, groups of companies, and allied organizations, the pooling of their knowledge and experience provided a reservoir of ability to be drawn upon by the entire fire and casualty business.

In their company activities, the I.A.C. members provided new direct-mail campaigns to substitute for lost man-power. They worked closely with the field forces in adapting sales methods to war conditions. Advertising copy was shaped to a wartime pattern. Trade press and national ad copy stressed the buying of war bonds.

During this period, in addition to activities connected with the war, the I.A.C. moved into two other phases of action. The National Board drew on I.A.C. membership in forming the advisory committee on public relations. This committee has functioned with increasing effectiveness for three years. Also, the National Association of Insurance Agents asked for help in preparing a manual for agents, and in preparing promotional material to be used in the bank-agent auto plan; and an I.A.C. committee cooperated on this program.

SITTING on that 50-year milestone, and turning from the past to take a look at the future, two questions must be answered. Where is the insurance business vulnerable? And where does insurance advertising fit into the picture?

Events of the past few years have shown us where to look for active opposition to property insurance operations, methods and management. Skilled leaders, strong committees and expert counsel can meet that opposition on even terms.

But what about indifference or apathy on the part of a large number of our population who have the money to buy full insurance but are badly underinsured?

What about the other large group, made up of the owners of small homes and businesses, holders of very little property, who have no insurance at all—people who manage to get by until disaster strikes?

Last fall, an apartment house burned to the ground in a city not far from New York. Thirty-three families were driven out to the street in their night clothes. Not one of them had fire insurance. They had to turn to the Red Cross and charitable organizations for assistance. An editorial in a local paper asked what the insurance business intended to do about situations of that kind.

The answer is—insurance has a job. Reduced to its simplest terms —it is a copy-writing job. Every piece of business press copy should be written so that an agent can fit it right into his sales talk. Every piece of consumer copy should be clear, simple, direct and accurate, shorn of all possible technical terms, so that a small property owner can clip it and take it into an agent's office and say: "This looks good. I'll take some."

Utopia? No. Simple copy will work. Witness the recent campaign to combat the dangers of underinsurance, sponsored by the insurance companies and the Na-

Air Cargo Insurance

BOEING STRATOFREIGHTER

WHEN air cargo moves at three miles a minute—and every minute means money—then air cargo insurance service must move at the speed of flight, too.

But, as in aviation itself,—speed and precision in insurance service require years and years of practical experience and a world of knowledge. *And a mind open to change!*

That is why our policies, which protect shipments everywhere, are not only firmly based on sound insurance principles;—but are kept in step with rapidly changing air transportation developments at all times.

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Theodore W. Budlong while in high school and Grinnell College worked summers for Bankers Accident of Des Moines. Before service in World War I, he was with the A. S. Gilbert Agency, Des Moines. Upon his return he was manager in Minnesota and later at Omaha for Bankers Accident. In 1923, when that company was reinsured by Federal Life, he transferred to Chicago as manager of the monthly premium accident and health department.

T. W. Budlong

After a year with the Liverman Agency in Denver, he joined Commercial Casualty at the home office.

In 1931, he transferred to the Pacific Coast. To become assistant to J. Schofield Rowe, vice-president and publicity director, he returned to the home office in 1937. At Mr. Rowe's death in 1939, he became publicity director. In 1945 he joined the public relations department of the National Board as editor of publications and is now advertising manager. He is president of the Insurance Advertising Conference.

tional Board. Good ad copy appeared in the business press and in national magazines. Short, nontechnical commercials were heard over the air. As a result more doors were opened to insurance salesmen, and more prospects visited agents' offices seeking protection than in any drive for business in the history of capital stock company advertising. The way is open. Where do we go from here?

Seeds Sewn in Past May Bring Harvest of Trouble in Future

Compensation, never big profit maker, cannot now be carried by other lines

BY ROY TUCHBREITER

THE basic principle, which prompted the enactment of workmen's compensation laws in the United States, was, of course, the conception that economic loss brought about by personal injury to an employe in the course of employment should be borne by industry in the same manner that industry pays for damages to its machinery and equipment. Personal injuries to workmen are just as much incident to and inherent in industry as is the breaking down of mechanical appliances. Hence, under these laws it is only necessary for an employe or his dependents to show that an injury has been received and that such injury arose out of and in the course of employment. Upon such showing the employe is entitled to the indemnity provided by the law.

The first workmen's compensation law in the United States which stood the test of constitutionality was the New Jersey law passed and approved in 1911. At the present time every state except Mississippi has such a law. In recent years many laws have been extended to include not only personal injuries but also certain occupational diseases.

At the outset insurance companies had no statistical basis upon which to determine the proper rates for this coverage. It was largely a matter of guess work, based to some extent upon the experience developed under personal accident policies. By the time the business really got under way in the United States, the first World War began. Even before the United States entered as an active participant, its economy was affected by large purchases of war material made by the combatants, and of course was much more radically affected after our entry.

Compensation premiums are determined by the application of a rate to payroll of employes and the indemnities paid are fixed by statute at a percentage of earnings, subject to a maximum. The radical increase in wage scales brought about by the war substantially increased premiums without commensurate increase in liability. Also, full employment at high wages eliminated the so-called moral hazard. It was not to the financial interest of the employe to remain away from work any longer than was absolutely necessary. As a result of these favorable factors, the compensation business was very profitable during the war years and the inflationary period which followed the termination of war. Commencing in the early twenties, the tide turned. Lower wages and unemployment developed a moral hazard. Concurrently the coverage of the compensation laws was liberalized, not only by legislative enactment but by construction of the courts, and a long period of underwriting loss began.

IN 1924 Continental Casualty issued and widely publicized a written statement, from which I quote:

"It may now be stated as an established fact that workmen's compensation

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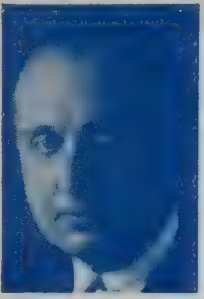
Roy Tuchbreiter, president of Continental Casualty and Continental Assurance Companies, and Transportation, all of Chicago, has been in the insurance business for more than 30 years. He was born in 1894. He started his career in the Chicago agency of Pere Wickes & Company. He later became associated with London & Lancashire, Hartford Accident and Fidelity & Deposit. He has made rapid progress with the Continental group. He is a strong administrator and is putting his company in the front rank.



Roy Tuchbreiter

rates are inadequate and that they have been inadequate in increasing measure for the past three years. The basic difficulties inherent in the compensation business may be briefly summarized as follows:

> "The high overhead, due to the innumerable and meticulous detail operations, made necessary by the character of the business and by the continually increasing requirements of insurance departments and industrial boards.
>
> "The phenomena generally referred to as the increasing cost incident to the age of a compensation act, due to the fact that it takes a considerable time before the possibilities of recovery are fully realized.
>
> "The universal tendency on the part of tribunals vested with the power to interpret compensation laws to enlarge their scope and consequently their cost by an ever increasing liberality of construction.
>
> "The failure of rate making bodies to keep abreast of the times and function with the promptness made necessary by the exigencies of the business and constantly fluctuating industrial conditions.
>
> "The inevitable political resistance against rate increases, with the consequent necessity of compromise."

That these conclusions, arrived at in 1924, were sound has been amply demonstrated by subsequent events. The authoritative New York casualty exhibit shows that for some 15 years prior to 1936 the stock companies included in that exhibit suffered an underwriting loss each year and the average underwriting loss for the entire period was the staggering total of approximately 10%. This loss continued year after year, notwithstanding the fact that rates are predicated upon experience. However, because of ever increasing cost factors, the substantial lag in the rate making machinery and political resistance to rate increases, it was not until 1936 that the long and costly period of underwriting loss terminated. In that year the stock companies made an underwriting profit of .6 of 1%. Just how serious this underwriting loss on compensation business was is indicated by the fact that for the period from 1923 to 1933, inclusive, it more than offset all profit on the other casualty lines.

Beginning with the year 1936 and up to the present time, the industry has made a modest underwriting profit on compensation, averaging about 3%. This, coupled with very satisfactory profits on other casualty lines, has brought about the most profitable ten year period that the casualty companies have ever experienced.

BUT we are now clearly coming into a new era. In considering the modest profit on compensation in recent years, we must remember that they have been war years. As was the case during the first World War, there has been a radical increase in wage scales and full employment at high wages. Based on the experience during the first World War, the compensation profit should have been very high. There are several explanations of why it has been so modest, the most important of which is that the companies, in voluntary cooperation with the government, set up a so-called War Department rating plan applicable to the great government construction program. Under this plan the companies carried the tremendous compensation exposure involved on what was practically a non-profit basis. Further than this, substantial rate reductions were made and various rules were put into effect by rate bureaus, which had the effect of reducing company profits. So, notwithstanding recent favorable experience, the companies have suffered a substantial underwriting loss for the past 25-year period.

What can we expect in the future? The compensation experience for the year 1946 is not yet avail-

From one Old-Timer to Another

This pioneering bonding company, which has been engaged for more than half a century in making men and their enterprises more secure, welcomes this opportunity to extend its cordial greetings and hearty congratulations to The National Underwriter on the occasion of the latter's 50th anniversary.

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able, but we know that under the generally favorable conditions existing last year, there was, because of the very low rate level, little, if any, profit. In other words, at the present time the business is on about a break-even basis. It is certain that even a moderate recession in full employment at high wages will inevitably bring about an underwriting loss; the more severe the recession, the more severe the loss. This development will be accelerated by recent rate reductions, and, as everyone knows, it takes a long time before unfavorable experience results in rate increases. Also we must recognize the inevitable political resistance to such increases.

We must therefore look forward to another period of underwriting loss on the compensation business. Some comfort may perhaps be taken from the fact that the rate making machinery has been improved over the years and that the public and officials having supervision over rate making have a better understanding of the problems of the business than they did a quarter of a century ago. Hence there is justification for the hope that the industry will not again suffer so staggering an underwriting loss as it did during the 15-year period ending in 1936. No doubt highly efficient companies can minimize future loss by good management and effective work in accident prevention.

HOWEVER, we must not lose sight of the fact that during the next cycle of underwriting loss on compensation business, the companies are not likely to have anything like the offsetting profit on other casualty lines which they have had in the past. As everyone knows, the automobile business is now on a serious underwriting loss basis. The New York casualty exhibit indicates an underwriting loss for the year 1945 of 5.4% on auto bodily injury liability and 28.3% on property damage liability, amounting in dollars, for the companies included in the exhibit, to approximately $31 million. It is practically certain that when the figures for 1946 become available they will show a much greater loss. It is true that we have not as yet received the full benefit of the rate increases which have been put into effect since V-J Day and that there is reason to expect improvement in 1947. There can, however, be little doubt that there will be a fairly substantial underwriting loss on combined automobile business.

In addition to this the casualty exhibit shows the underwriting profit on burglary and theft for 1945 was .9 of 1% as compared with a profit of 20.1% for 1943 and 10.3% for 1944. Liability other than auto shows an underwriting profit of 12.4% for 1945 as compared with 15.4% and 17.9% for the two preceding years. The bad trend on these two lines is continuing. Both of these lines have been consistent profit makers for many years. The reversal is largely due to the action of the companies themselves in liberalizing coverage and reducing rates. As to residence burglary, one major liberalization has been unsound and unnecessary.

So, getting back to compensation, Continental Casualty is of the same opinion that it publicly expressed 23 years ago; namely that insofar as this business is concerned our function is solely one of service to the public and to our agents. Over any long period we cannot expect any profit on this line, nor, for reasons above indicated, can we assume that profit on other casualty lines will be sufficient to overcome any substantial underwriting loss on compensation. Hence, it is clearly essential to apply the most careful, painstaking and intelligent procedures in future underwriting of compensation business.

PROGRESS OF THE

Local Agency--

In comfort, efficiency and appearance modern office is a great improvement

BY OSCAR BELING

A GOLDEN JUBILEE such as is now being commemorated by THE NATIONAL UNDERWRITER is usually an occasion for reminiscenses about the "good old days." Suppose we turn back the clock, say 30 or 40 years, within the memory of most of us, and look in on a typical insurance agency of that era. We enter the door and are transfixed by the many memories which crowd in on us.

The dingy, dark walls absorbing most of the natural light . . . the unshaded glaring electric light bulbs in their ornate ceiling fixtures . . . the scarred roll-top desks, scattered about without regard to symmetry and overflowing with memoranda of many vintages . . . the high slant-top

CONGRATULATIONS
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AMERICAN HOME FIRE ASSURANCE COMPANY

111 WILLIAM STREET NEW YORK

For more than 35 years Oscar Beling has served the Royal-Liverpool Group. He has held virtually every position in the accounting department including that of assistant chief accountant. Subsequently, he served for many years as a senior auditor.

Oscar Beling

In 1928 Mr. Beling instituted for the group a consulting service to assist agents in planning production activities and reducing operating costs by surveying current operations and offering practical suggestions based on agency operations successfully applied elsewhere. Interest developed to a point where, in 1935, a separate department, the only one of its kind, was established.

Mr. Beling has written many articles and has spoken before many agents' meetings. He collaborated in preparing the agency management discussion outline which is part of the educational course sponsored by the National Association of Insurance Agents. Mr. Beling recently had published a 100,000 word textbook and reference manual, "Profitable Insurance Agency Management."

desks for the clerks who in turn are adorned with the ubiquitous green eye-shades and are draped over the backless high stools in pigeon-toed comfort . . . the steel spindles on which are impaled "suspense" items . . . the cumbersome leather bound customers' ledgers . . . the gray canvas single entry cash book . . . the clattering, nerve-shattering typewriter . . . the bare, creaky wooden floors . . . the single wall telephone with its hand crank . . . the cavernous and mysterious recesses of the huge iron safe . . . the yellow oak filing cabinets which stick as often as they open and hold most of the daily reports and correspondence written since the inception of the agency . . . the wooden "spool drawer" cabinets containing blank policies . . . the row upon row of dog-eared policy registers .

OUR first impression is that of the walls in a soft creamy color, reflecting and augmenting the light from many large windows. Indirect lighting, scientifically designed to give the most candlepower with the least eye strain, supplements the natural light where necessary. Orderly rows of steel flat-top desks are arranged in such manner as to provide for a steady even flow of work throughout the office. All daily reports, correspondence, blank policies, forms, and other documents except those in actual use are neatly housed and readily accessible in smoothly operating metal file cabinets. Sound-proofed ceilings contribute to the quiet spirit of efficiency pervading the office. Modern typewriters turn out the work quickly and with less wear and tear on the nerves. Resilient floor coverings are kind to the feet as well as being a part of the simple scheme of decoration. An adequate number of desk telephones helps the agency maintain contacts with its customers. The cumbersome ledgers, the policy registers, the letter press, and the brass floor ornaments have taken their place with the fabulous dodo.

This agency recognizes that insurance has become much more complex and that the average insurance office now has approximately 200 forms of protection on its shelves instead of one or two as formerly. The office is striving for the reputation of being a complete service entity, in which every member of the staff is capable of dealing intelligently with the insurance public. Education in the many ramifications of insurance coverages therefore becomes a "must" not only for the agency principals but also for the clerical staff. Those alert-looking clerks you see are participating from time to time in local study groups, reviewing new forms and the latest company advertising material, studying rate manuals, and in many other ways perfecting their knowledge of a business which is rapidly becoming an honored profession.

Our 1947 agency recognizes the values of an efficient and carefully planned office system designed for maximum production at a minimum operating cost. The financial position of the agency is carefully and periodically reviewed. Assets and liabilities are analyzed monthly. Adequate reserves for depreciation, bad debts, unearned commissions and taxes serve to maintain a sound, financial structure and insure solvency.

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A NATION-WIDE ORGANIZATION

FORTY-FOURTH ANNUAL STATEMENT

DECEMBER 31, 1946

ASSETS

Cash in Banks and Offices	$ 1,165,549.25
U. S. Government Bonds*	2,403,854.61
Public Utility Bonds †	16,150.00
Industrial Bonds*	5,000.00
Mortgage Loans	363,847.17
Collateral Loans	58,393.78
Savings and Loan Investments	994,945.69
Public Utility Preferred Stocks †	670,065.00
Industrial Preferred Stocks †	27,350.00
Bank Stocks †	3,444,848.00
Insurance Stocks	607,786.00
Railroad Common Stocks †	28,700.00
Public Utility Common Stocks †	243,722.00
Industrial Common Stocks †	647,664.00
Agents' Balances Not Over 90 Days	590,821.88
Premium Notes	261,666.49
Home Office Building	176,812.74
Eastern Department Building	102,089.39
Pacific Coast Department Building	107,445.18
Due from Reinsurers	108,131.44
Other Assets	12,705.89
	$12,037,548.51

LIABILITIES

Unearned Premium Reserve		$ 5,496,658.94
Reserve for Unpaid Losses and Adjustment Expense		332,507.00
Due Reinsurers		124,536.13
Reserve for Taxes		150,000.00
Other Liabilities		14,920.47
Contingency Reserve		1,272,471.33
Capital	$2,000,000.00	
Surplus	2,646,454.64	4,646,454.64
		$12,037,548.51

*Amortized.

†Value as established by Insurance Commissioners Committee on Valuation of Securities. Market value of securities owned exceeds values shown above by $36,107.41. U. S. Government Bonds of the par value of $400,000 are on deposit with the Insurance Departments of various states in accordance with legal requirements.

Writing: **FIRE • TORNADO • WINDSTORM HAIL • EXPLOSION • EARTHQUAKE • RIOT and CIVIL COMMOTION • RENTS • EXTENDED COVERAGE • INLAND MARINE**

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Progress in the

Growth of Coverages

BY JAMES C. O'CONNOR

WHILE the development of the casualty insurance field since THE NATIONAL UNDERWRITER was founded in 1897 has often been justly pointed out as most spectacular, the fire insurance field has had an equally amazing expansion.

In 1897 fire insurance was just that. For most classes of risks, lightning coverage could be written, but at an additional charge. Windstorm insurance was in a rudimentary state, not written by all fire companies and to some extent by a few specialty windstorm companies. Coverage against indirect losses was almost unheard of and such consequential contracts as were written were almost entirely individual in nature.

For all practical purposes, casualty insurance did not exist as a separate field. Accident and health insurance was written and employers liability insurance was the most important of what today we call the general casualty lines. There was a limited amount of teams liability insurance on the books and early experiments were made with power plant insurance, mostly in the nature of guarantees of steam boiler inspections made by inspection companies.

The two biggest factors in the development of casualty insurance were, as has often been pointed out, passage of workmen's compensation laws and the development of the automobile. Almost equally important, though a less publicized factor, was the general growth of "liability consciousness" in the public, plus the general trend of the insurance business toward broadening its services and its contracts.

Employers liability insurance enjoyed a growth for 10 or 15 years following 1897, but during the 1900s was whittled down by workmen's compensation laws, which in turn introduced what was then considered to be a revolutionary form of social insurance. The compensation business, of course, grew with American industry and these laws continued to spread until today Mississippi is the only state which does not have a workmen's compensation law. Compensation insurance does not offer the opportunity, by action within the business, for broadening what it offers, but its scope has been widened by the increasing liberality of state laws, both as to benefits and as to employments covered, and also by the general inclusion of occupational diseases. Within the industry, there has been a real challenge to develop rating plans which will provide a competitive market with safety to all parties. There is no indication that this challenge will be less sharp or that the ingenuity of underwriters will no longer be at a premium.

The automobile casualty field has by now generally yielded material damage and collision coverages to the fire companies, but has tremendously expanded the scope of its liability operations. Starting with a very limited contract, which insured the liability of a named driver while operating a named automobile, subject to many restrictions, there eventually evolved the present automobile liability policy. Of all the common contracts, the automobile liability policy is by all odds the most complicated and this complication is due almost entirely to its liberality of coverage, since exclusions have virtually disappeared.

In addition to the standard coverage, the comprehensive policy, the garage liability policy, nonownership insurance and various forms of drive other car and operator coverages attest to the expansion of this field.

THE newest development is medical payments coverage, which some predict may ride with the trend toward repealing or modifying the law of liability for automobile accidents and substituting a foundation similar to workmen's compensation.

General liability coverages likewise expanded to include almost every type of accident for which an insured could be held liable, culminating in the comprehensive liability policy. The next step in this field appears to be taking in liability for incidents not involving bodily injury—libel, slander, false arrest, infringement of copyright, and malpractice on the part of professional men such as attorneys, abstractors and accountants. Considerable progress has already been made along these lines, with special contracts written by a number of carriers and it does not seem too wild a guess that this may eventually be routine coverage.

The burglary insurance field has expanded to the point that the term "burglary" itself is practically a joke. In addition to offering burglary and robbery contracts which cover almost the entire field of human endeavor, burglary underwriters are now actively competing with the inland marine departments of fire companies and offering a variety of all risks coverages. The prediction is freely made that eventually, when and if multiple-line underwriting becomes established in the United States, burglary and inland marine departments will be merged.

The power plant business started with guarantees of inspection of steam boilers. Soon this became a standard insurance coverage, although the accent has always been on inspection service. The latter was broadened to take in accidents to almost any type of industrial machinery—fly wheels, electrical equipment, internal combustion engines, etc. The final step was the introduction of indirect damage coverages — use and occupancy, consequential damage, outage, and the like.

The surety field has similarly broadened along every line of human activity and fidelity bonds have become virtually dishonesty insurance policies. Through the medium of combination coverages such as bankers' blanket bonds, surety companies are also actively competing with burglary departments and to some extent with fire and inland marine departments. The development of a comprehensive dishonesty, disappearance, and destruction policy marks the first important joint operation of burglary and surety departments.

The fire insurance field likewise has gotten to the point where the term "fire" is primarily a trade name, rather than an actual indication of the type of insurance written by a company. Almost every specific hazard is now insured against by fire insurance companies —windstorm, explosion, riot, and aircraft damage. Development of combination policies, such as the extended coverage endorsement, has removed much of the original departmentalization of the fire insurance business and developed "package" policies which to some extent compete with all risks inland marine coverages. Similarly, a tremendous field of indirect damage coverages has been developed, permitting an insured to protect himself against financial loss from fire occurring almost anywhere, whether or not it actually burns property owned by him.

The inland marine business began as an offshoot from the ocean marine field out of this great development due largely to two factors: First, the first world war gave American ocean marine insurers their first taste of a large market. As this slumped off after the war, the insurers, anxious to retain their premium volume, turned to the inland transportation field. Second, the concrete highway brought about the development of transportation by truck, by carriers who were not as solvent as railroads and for whom the law of liability was not as well settled. The result was the large motor cargo insurance business, frequently a problem, but nevertheless a prolific producer of premiums. On the personal side of the inland marine business, the personal property floater became the major premium producer.

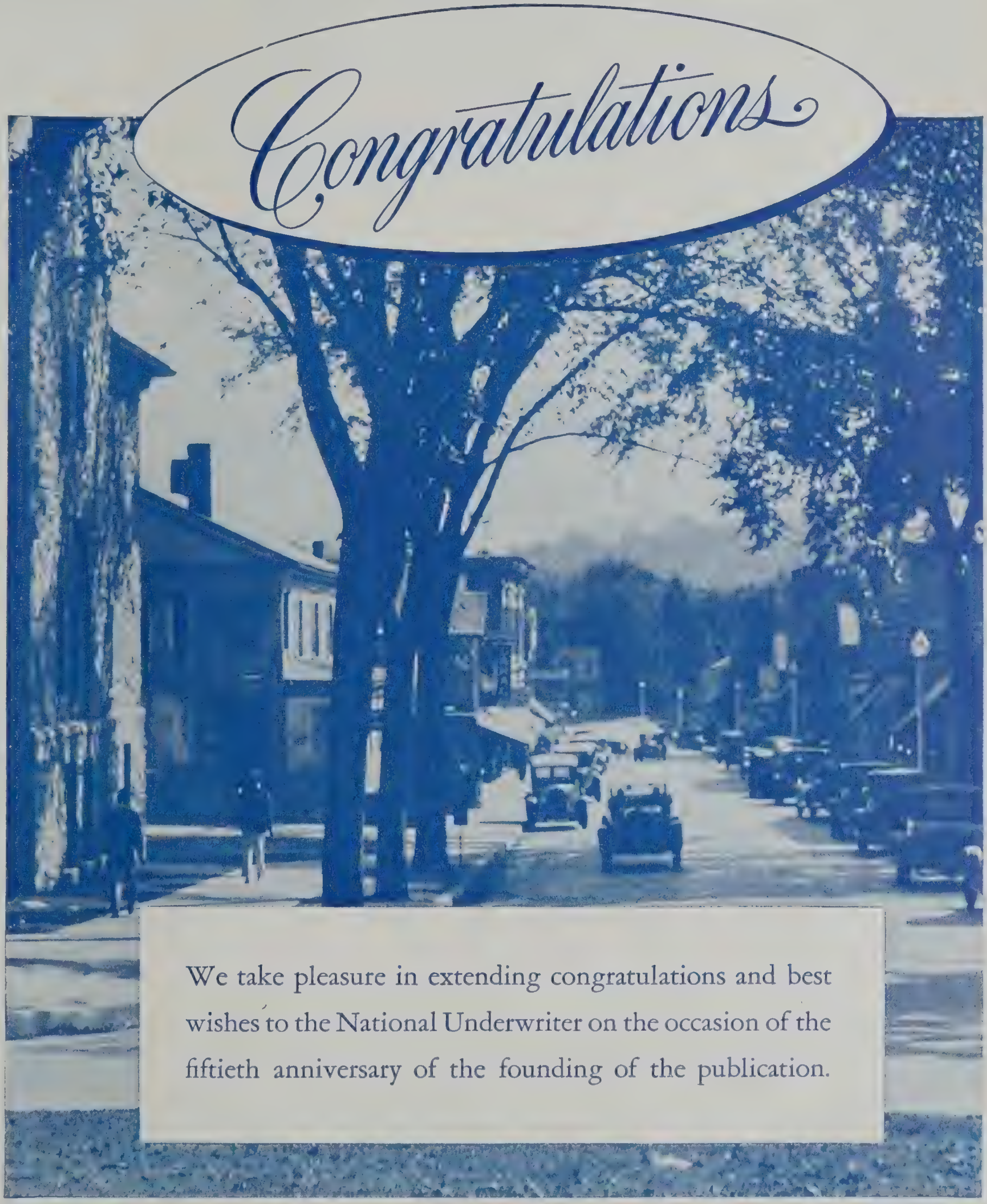
THE last 50 years have seen the birth and development of a trend which apparently has yet to reach its peak and which may profoundly modify all established concepts of insurance underwriting. This is the use of insurance for social purposes — some features of which most insurance men have become so accustomed to that they rarely stop to realize what a far cry it is from the old idea of underwriting on a strictly individual basis and for the benefit of only the insurer and the insured.

1897 Manual Bond Rates

A Fidelity & Deposit agents' manual of 1897, on letter carriers' bonds, has this to say: "There has been very strong competition for this business and the rates are very much broken, ranging from $5 to $1 per annum in the larger cities for a bond of $1,000.

In connection with bonds for receiving and disbursing agents, the manual says, "Rate, ½ per cent. For very large bonds, where the record and standing of the applicant are without question, the rate can be shaded to $4 per $1,000."

With reference to distillers and warehousing bonds, the manual says, "As these bonds are always in large penalties, we think it best for the agent to ask for special rates in each case from his general agent or the home office."



We take pleasure in extending congratulations and best wishes to the National Underwriter on the occasion of the fiftieth anniversary of the founding of the publication.

UNITED STATES GUARANTEE COMPANY

NEW YORK CITY

FIDELITY SURETY CASUALTY

AVIATION INSURANCE THROUGH ASSOCIATED AVIATION UNDERWRITERS

LIFE INSURANCE AS

A Measure of Life Values

Standard is yet inadequate for family and business purposes; five new trends will mean future growth

BY DR. S. S. HUEBNER

UNTIL comparatively recent times, economics—"the science of wealth"— has concerned itself essentially with the scientific organization, management, protection and liquidation of property values. Our business schools of higher learning have proceeded for years on the basis of property values — material values — as about the only tangible economic evidence of "wealth." Yet there is a much greater value in our economy than the value of material things, namely, the human life value consisting of the monetary worth of the economic forces that are incorporated within our being — our character and health, our education, training and experience, our personality and industry, our judgment and power of enterprise and initiative, and our driving force to realize in tangible form the economic images of the mind.

That value, expressed by honest earning capacity, when capitalized at a fair rate of interest, is equal many times to the monetary worth of the nation's property values. It is the cause (the creator) of all property values and not merely an effect, as is property. Moreover, that human life value arises mainly out of its relations to other lives — family dependents, business associates, and philanthropic enterprises. For the overwhelming mass of family heads, probably 95%, the dollar value of human life is by far the major portion of the monetary estate. The "person," in other words, is for most people the largest and most vital part of the "personal estate." The life value is the predominating element in our national economic wealth and should be accorded the same full scientific treatment that we have seen fit to extend for so many years to material property, the minor element. Life insurance is the medium through which this can and should be done.

In the field of property values we have developed many scientific procedures, and teach them as a matter of common sense. I am referring to the appraisal of property, the capitalization of values with stocks and bonds, indemnity of loss, the use of sinking, depreciation and emergency funds, the promotion of personal endeavor, the creation of estates through systematized thrift, the principles of sound investment, the creation and maintenance of credit, conservation of values, the use of a soundly constructed last will and testament and, when necessary, the proper mode of liquidating an accumulated estate. If these procedures are regarded as fundamental to the organization and management of property — the minor value — then certainly they are all equally fundamental to the organization and management of the human life value — the predominant value. From a scientific point of view, life insurance should be used to apply all of the aforementioned economic principles to our own personal monetary worth just as we have been accustomed to apply them to our material possessions.

APPLICATION of the property philosophy of organization and management to human life values will necessarily take time. Increasing reflection of a corresponding life value philosophy in our educational system (collegiate and high school) will alter the situation most rapidly, although probably two more generations will be necessary to bring about a general acceptance of the proper view. Very generally there is not yet a disposition to appraise life values adequately for family and business purposes. Nor is there a general disposition to employ life insurance adequately for indemnity of loss. The savings and investment value of life insurance is being recognized increasingly, but by no means adequately, by the great mass of people. Most of the principles referred to above are recognized by certain segments of the population, but for most people life insurance is nothing more than a contract taken for an amount which represents the guess or whim of the policyholder, and usually to an extent pitifully small when viewed scientifically from the standpoints of the economic need and social obligation to family and business. In 1945 life insurance per family in the United States amounted to only $4,000 in comparison with an annual national income per family of $4,300.

Economic progress is necessarily slow, and we should not be unduly critical. The facts for 1945, in comparison with the corresponding facts for 1900, show a tremendous improvement. Life insurance in force with commercial life companies increased from $8,562 millions to $154,600 millions, an 18-fold increase in 45 years, and to this total must be added the many more billions of benefits involved in National Service Life insurance, the federal social security plan, and fraternal life insurance. Premiums to commercial life companies increased annually during the same 45 years from $325 millions to $4,800 millions, nearly a 15-fold increase. Annual death claims (indemnity for loss principle) rose from $101 millions to $1,280 millions (13-fold).

Very impressive is the increase in disbursements to living policyholders from $68 millions in 1900 to $1,383 millions in 1945 (20.5-fold). Under this heading matured endowments (thrift and investment) rose from $18 millions to $407 millions (22-fold), annuity payments (liquidation) from $4 millions to $186 millions (45.5-fold), dividends from $22 millions to $466 millions (20.5-fold), and disability payments (non-existent in 1900) to $88 millions. Admitted assets of commercial life companies grew from $1,742 millions to $44,700 millions, a 25.5-fold growth. They now represent a portfolio equal to about one-ninth of all the material wealth of the nation. In a single year at present, the investment portfolio grows by an amount equal to more than twice the total portfolio that had been accumulated up to 1900, and by an amount equal to 50% of the total assets reported for the year 1920. The late experience of the 1930-37 depression also shows that this vast portfolio, representing almost entirely thrift and sound investment for policyholders, is eminently sound and reliable.

INCREASES like the foregoing show that the leaven of a better understanding of the mission of life insurance is at work. That leaven will rise ever more vigorously in the years of the near future, and it is safe to predict that before long, through education, the American people will become reasonably well imbued with the principles that should govern their life value. When they understand these principles, they will realize that life insurance constitutes the only medium through which they may be applied in a practical way. The $155 billions of outstanding life insurance, large as it may seem, represents only a fair scratching of the surface. If all family heads sought to protect dependents decently, the present total is only about one-sixth of the total that should be outstanding. One-half of personal earned income in the United States (assuming this is needed for support of dependents as distinguished from cost of self maintenance of the family head himself) capitalized at 4% interest gives a total of well over $1 trillion, an amount exceeding by three times the total property values in the nation, and by six times the present outstanding life insurance of commercial companies.

Dr. Solomon S. Huebner, educator, author, and thinker, occupies a unique position of eminence in the insurance world. There is hardly anyone in the business, from the oldest executive to the newest recruit, who is not familiar with his work and influence. He is president of the American College of Life Underwriters, chairman of the board of trustees of the American Institute for Property and Liability Underwriters, honorary chairman of the administrative board of the S.S. Huebner Foundation for Insurance Education, and professor of insurance at the University of Pennsylvania, a post he has occupied since 1908.

S. S. Huebner

His activities have covered widely diverse fields and include: Expert to the Congressional committee on the merchant marine; special expert in insurance in charge of the marine insurance investigation; special expert in insurance to the United States Shipping Board; dean of the American College of Life Underwriters; member of the advisory insurance committee of the United States Chamber of Commerce; member of the War Department's advisory committee on insurance; special expert in insurance to the Civil Aeronautics Board.

Among the many books he has written are: "Life Insurance," "Property Insurance," "The Economics of Life Insurance," "Life Insurance as an Investment," and he is editor of 15 volumes dealing with insurance subjects for the American Academy of Political and Social Science and the Appleton series on "Life Insurance; Its Economic and Social Relations".

Continued over-all growth, at an increasing pace, can be assumed: (1) because of the rapid spread of life insurance education from universities and colleges downward; (2) because of a rapidly improving field force trained on a professional plane, and educated thoroughly in a knowledge of the subject matter involved in their calling; (3) because of increasing emphasis upon life insurance as a convenient and depend-ably sound savings and investment program; (4) because of the increasing recognition of life insurance as the one certain way of establishing a sinking fund for the higher education of children, as well as for old age support for self and wife; and (5) because of the rapid growth of annuities for self and wife, and also by way of group pension plans for employes.

ASIDE from over-all continued growth along lines previously emphasized, sight must not be lost of a large number of growing trends along new lines of life insurance thought. Only the most important of these trends can be referred to in a brief article. However, five such new trends of thought may be confidently expected to add greatly to the future volume of life insurance, namely:

(1) **Use of Life Insurance as Property Insurance.**—For possessors of a property estate, i.e., a non-life insurance estate, life insurance is just as necessary as fire insurance to protect that property against loss, in this case loss occasioned by the death of the owner. At the time of death of the owner of an estate, and just because of such death, various social, governmental and economic forces come into play which tend seriously to decimate the accumulated property estate. There are the last illness expenses, the funeral costs, the estate settlement costs, and the postmortem taxes, all of which must be paid before an estate can be settled and transferred to the heirs. But in addition there may be unpaid mortgages and other debts which should not be transferred to helpless heirs. There is, about once out of every three times among middle class families, a partnership or close corporation interest which should be protected and liquidated through partnership or close corporation life insurance. Or the little business may be seriously affected through the loss of the guidance value of the owner. In these and a score of other ways life insurance can be shown to constitute property insurance. In other words, life insurance serves two great purposes: First and foremost, it protects against the loss of the financial worth of the life value, but secondly, it is important as protection against the loss of the financial worth of the non-life insurance property estate.

Even the four so-called clean up purposes applying to practically all estates, namely, last illness expenses, funeral costs, estate settlement costs, and postmortem taxes, involve an average loss to estates of about 25%, although in many instances the loss is much greater. This is more than twice the average fire loss. Again, the hazard of fire extends to only about one-half of the nation's property, whereas the death hazard pertains to all property, including land, fireproof structures, stocks, bonds, etc., which cannot burn. Moreover, only one building out of a hundred ever has a fire of significant proportions during the entire history of all of the hundred buildings, whereas death visits the owner of every property estate. It does not require much imagination to see that life insurance as property insurance is much more important than fire insurance, or for that matter many times as important as all the forms of property insurance put together. Yet this important phase of life insurance economics is but little understood today, and needs to be taught to the property-owning public. If adequately used, it may be safely estimated that at least two-thirds of the $155 billions of outstanding life insurance would be needed to cover this particular hazard alone.

(2) **Emphasis upon Life Insurance as Advantageous to the Policyholder Himself.**—In the past the emphasis has been essentially upon the death side of the human picture. Life insurance might as well have been called "death insurance," but fortunately has been called "life insurance." The death side, while very important, of course, does not have the appeal that the life side has to red-blooded men living under feelings of hope and enthusiasm. Why always stress the dismal side, and forget the

We congratulate The National Underwriter on its half century of service to life insurance. Throughout the years it has been an influence for all that is best in our business. It has stood for the highest standards both by precept and example. It is itself one of the assets of the great institution which it serves.

Claris Adams
PRESIDENT

THE OHIO STATE LIFE
Insurance Company

great benefits derived by the premium payer? Why always stress life insurance as differing basically from other profit-making businesses, as a sort of altruistic undertaking? That philosophy never seemed to the author to have much sense to it. In my teaching of life insurance I started that way and got nowhere with red-blooded students. I then began to present life insurance as a commendably selfish product to be desired by the premium payer just as naturally as he desires to pay for any other commendable economic products. In other words, I began to stress the benefits of life insurance to the policyholder himself, as a commendably selfish individual, i.e., as a means of promoting personal endeavor, of giving peace of mind and a greater ability to venture more, as a profitable medium for savings and sound investment, as a creator and maintainer of credit, etc., in short, as a means of putting the policyholder far ahead in dollars of where he would otherwise be had he not acquired high premium life insurance. Then my classes began to grow like magic, and the subject of life insurance became popular instead of disliked. The author believes that this same philosophy should permeate the whole selling effort. The life insurance picture involves two sides—the death side and the life side—and both should be presented adequately to the prospect.

(3) **Life Insurance as a Means of Creating and Maintaining Credit.**—Credit is the life blood in the arteries of business. Yet up to the present the essential collateral behind bank loans has been the market or appraised value of material assets, like stocks, bonds, inventories, or real estate. The personal factor—the borrower himself—is regarded rather generally from the standpoints of character and ability. Fairly soon, through better education, the idea will take hold that loans should be based upon the monetary worth of the borrower's character and ability, that that worth can be capitalized with a life bond—a life insurance policy—and that that life bond may then be pledged with the creditor for loans just as property bonds or mortgages are pledged today. This does not mean that the loan is secured by the accumulated cash value of a life insurance policy. Instead, the loan is secured by the monetary worth of the investigated life, and that worth is represented by a life bond—the life policy—which is offered as security for the loan. The analogy is complete with that of a fire policy, which is only a contract of indemnity, but which is pledged for loans as a guarantee of the monetary worth of the property security in the event that that property be lost through fire. What a field for development and enlargement! What an opportunity for life insurance to serve as additional collateral for the property secured loans of demonstrated lives! And what an opportunity, through life insurance, to enhance the borrowing capacity of millions of young lives, not yet demonstrated but whose character and ability upon investigation are found to be dependable, to borrow for educational or initial business purposes, although no material assets are available as collateral.

(4) **Life Insurance for Bequest Purposes.** — Philanthropic institutions easily constitute the largest single economic effort in the nation. In the past the giving has been confined largely to the wealthy, and this nation was fortunate in having many generous millionaires. But the number of millionaires is being whittled down by so-called progressive taxation—both income and death duties—and in another two generations, if the "isms" continue, few will be left. We must depend for the giving upon the average man. And he can give only out of current income, as distinguished from capital. Life insurance, as I have explained elsewhere, "is admirably designed to enable the many to accumulate painlessly the needed sums—the 1%, 2% or 5% a year—out of current income into a substantial total for a worth-while social cause at the end of a stated number of years." The author believes that life insurance for bequest purposes will before long be a commonly accepted method of providing for eleemosynary causes.

(5) **Life Insurance as a Life Will.**—In our property affairs the importance of a last will and testament is apparent to all, and is universally emphasized. Yet we are not educated to reason the same way with respect to the monetary value of the "person" in our "personal estate." If there has been an adequate appraisal of the life value, life insurance is a life will under the terms of which the insured bequeaths the money value of his life to his heirs—his loved ones—just as under a property will he bequeaths to them his property possessions. The analogy, upon analysis, is complete. Every person should have two wills—a property will and a life will. For the great majority of family heads the life will is by far the more important. The policyholder in life insurance is really a testator, the so-called beneficiaries are really the heirs, the life insurance proceeds are really the willed monetary worth of the person in the personal estate, the so-called beneficiary clause is really the meat of a life will, and the so-called settlement options are really trust arrangements for the safeguarding and proper use of the dollar value of the testator. If this idea had been emphasized in our educational system 40 or 50 years ago, how much more life insurance would be outstanding today. How much greater would be the proper emphasis upon an adequate appraisal of the human life, upon a proper designation of so-called beneficiaries (heirs), and upon the use of life income plans (trust arrangements) to protect those heirs.

Courtesy Massachusetts Mutual Life.

The Life Insurance Association

Organized as Life Presidents in 1906, It Has Contributed Much to Business

THE Life Insurance Association of America was organized in December, 1906, as the Association of Life Insurance Presidents to promote the interests of policyholders, to advance the interests of life insurance generally, and to aid in promoting economy in matters of general administration.

It was a time of reform in the United States, and the Armstrong investigation had turned the spotlight on the life insurance business and some of the practices that had grown up in that field.

Formation of the association was destined to result in important developments in life insurance. Executives of a number of the leading life insurance companies, with the design of seeking solutions for some of the common problems in the business, hit upon the organization of a permanent association which would aid in fostering public confidence in the business and to help extend its usefulness generally.

Paul Morton, who had recently become president of Equitable Society, sent the following letter to the presidents of a number of life insurance companies under date of December 3, 1906.

"I am impressed with the lack of cooperation among the large life insurance companies, and respectfully urge that we meet and discuss a plan of an organization, the objects of which shall be:

"1. To promote the welfare of policyholders.

"2. To advance the interests of life insurance companies in the United States by the intelligent cooperation of officers in charge.

"3. To prevent extravagance, and reduce expenses by encouraging uniformity of practice among life insurance companies in matters of general administration.

"4. To consider carefully measures that may be introduced from time to time in legislative bodies, with a view to ascertaining and publicly presenting the grounds which may exist for opposing or advocating the proposed legislation, as the welfare of the companies and their policyholders shall point to the one course or the other.

"5. To consider anything that may be suitably a matter of general concern to the life insurance business."

ON December 21, the association was formed at a meeting in the Warldorf-Astoria in New York City. The 13 charter members were:

Aetna Life, Equitable Society, Fidelity Mutual Life, Germania Life (later Guardian Life), Home Life, Metropolitan Life, Mutual Life, New York Life, Prudential, Security Mutual Life, Travelers, Union Central Life, and United States Life.

Grover Cleveland, ex-President of the United States, was unanimously selected to head the new organization. He was its first chairman and counsel.

Members of the first executive committee were Mr. Morton; Thomas A. Buckner, vice-president of New York Life; S. C. Dunham, president of Travelers; George E. Ide, president of Home Life; L. G. Fouse, president of Fidelity Mutual, and Haley Fiske, vice-president of Metropolitan.

The basic objectives of the association as set forth in the original constitution have been carried down through the years, notwithstanding various constitutional amendments, including the adoption of the present title of the association and the reorganization of its governing structure in 1943. In the process the association has gradually expanded its organization and the scope of its activities.

The association is engaged principally in statistical and economic research in connection with matters pertaining to legal reserve life insurance. Another function is to consider important measures introduced in legislative bodies with a view to ascertaining and publicly presenting grounds which may exist for their adoption, rejection or alteration.

One of the principal purposes of the association is to keep member companies fully advised with up to date information regarding the thousands of technical details necessary for compliance with the many requirements of the various jurisdictions in which they are licensed to do business. In this connection also the association sponsors certain test litigation from time to time in the various states looking toward the determination of questions which affect the companies generally and their policyholders. In this and other ways significant economies are effected through the elimination of much of the time, effort and expense which would be entailed in the activities undertaken on an individual company basis.

THE establishment of the Life Insurance Medical Research Fund, which, since its inception about a year ago, has distributed over $600,000 to support researches into diseases of the heart and arteries, is one example. The development of investment research activities is another joint activity recently undertaken. The association works with other organizations on common objectives; for example, with the National Association of Life Underwriters in its campaign to urge veterans to retain their National Service life insurance.

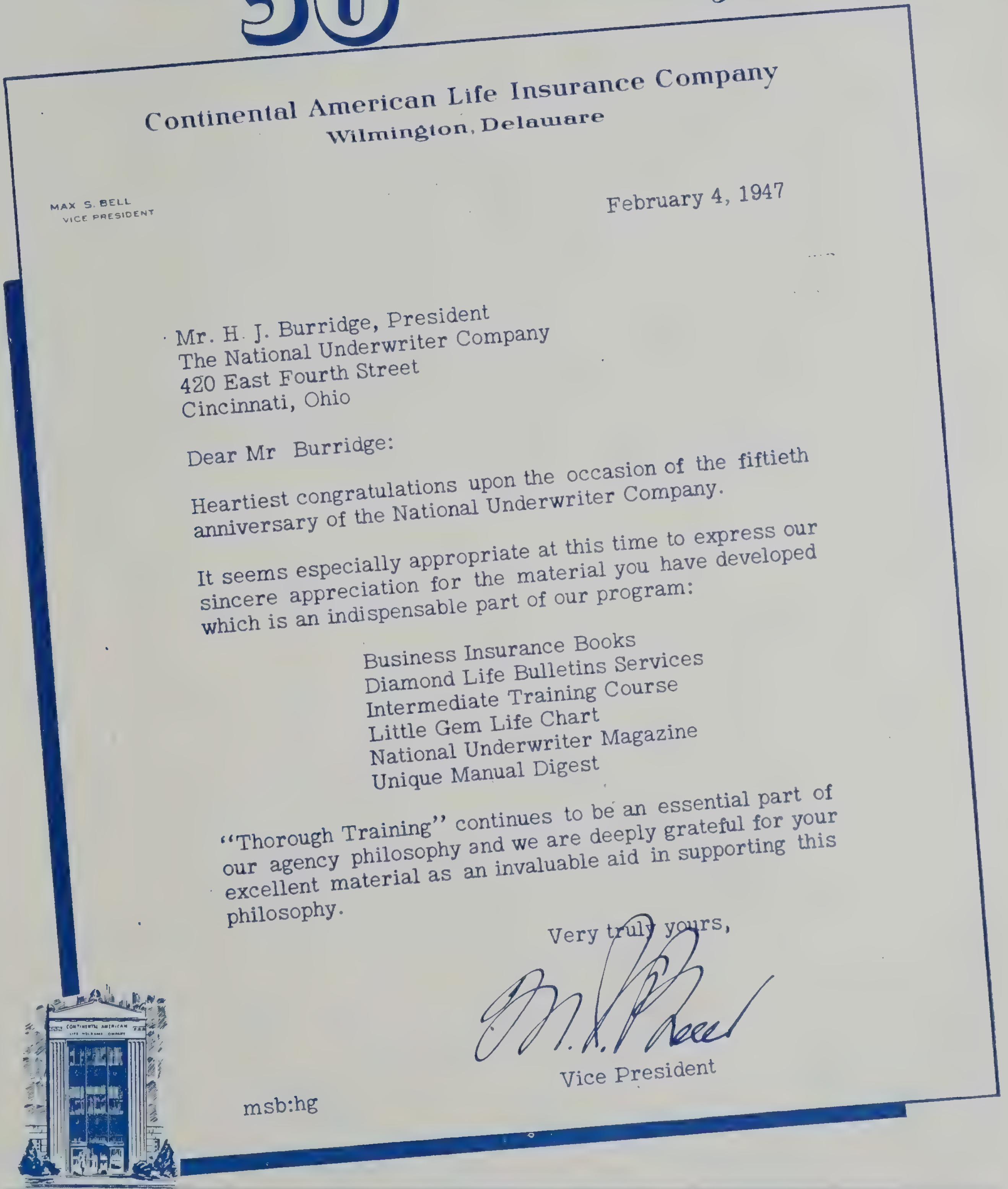
Throughout the years, the association has hewed to the life insurance line. There has been no deviation from the established policy of taking action only on matters pertaining strictly to the business.

Since the death of Mr. Cleveland in 1908, the association has had as managers Robert L. Cox, who served from 1908 to 1916, George T. Wight, from 1916 to 1933; Vincent P. Whitsitt, to 1944; Bruce Shepherd, 1944 on. In 1944 the association was reconstituted as the Life Insurance Association of America, and the post of executive director was created. The executive director was Dave E. Satterfield, who died suddenly late in 1946.

Commissioner's View of State Regulation, 1906

"The Supreme Court of the United States, through a long line of decisions, has fully established the proposition that insurance is not interstate commerce, and hence cannot be subjected to the control of the Federal Government under the interstate commerce clause of the constitution. This proposition is not now controverted by the lawyers. We have no disposition to controvert it. In fact, we are rather glad it is so, because the tendency to look to Washington for relief and regulation of all evils has grown to be much too common.

"For the regulation of insurance business we must therefore devise more effective methods of state supervision and state legislation defining the rights of policyholders and fixing the obligations of companies. But when all is done for the regulation of the business that can be hoped for, or dreamed of, there is one thing that must of necessity be left to individual enterprise, local pride and business sagacity; that is the development of the insurance business as the great balance-wheel of commerce."
—Insurance Commissioner W. D. Vandiver of Missouri, in address at Kansas City, November 21, 1906. Courtesy Kansas City Life.



Congratulations to **NATIONAL UNDERWRITER** *on its* **50th** *Anniversary*

Continental American Life Insurance Company
Wilmington, Delaware

MAX S. BELL
VICE PRESIDENT

February 4, 1947

Mr. H. J. Burridge, President
The National Underwriter Company
420 East Fourth Street
Cincinnati, Ohio

Dear Mr Burridge:

Heartiest congratulations upon the occasion of the fiftieth anniversary of the National Underwriter Company.

It seems especially appropriate at this time to express our sincere appreciation for the material you have developed which is an indispensable part of our program:

Business Insurance Books
Diamond Life Bulletins Services
Intermediate Training Course
Little Gem Life Chart
National Underwriter Magazine
Unique Manual Digest

"Thorough Training" continues to be an essential part of our agency philosophy and we are deeply grateful for your excellent material as an invaluable aid in supporting this philosophy.

Very truly yours,

Vice President

msb:hg

Continental American Life Insurance Company

WILMINGTON, DELAWARE

A. A. RYDGREN, *President* **MAX S. BELL,** *Vice-President*

Modern Training of Agents

It should be continuous, get new man in field quickly, use standard procedures

BY B. N. WOODSON

WHEN C. M. Cartwright asked me to write on modern day training in life insurance, I was both pleased and unhappy. It is an honor to be asked to contribute to the 50th anniversary of THE NATIONAL UNDERWRITER, which has done so much to advance the cause of life insurance in the last half-century. On the other hand, the assignment is a difficult one because I make no pretense to a knowledge of anything new or unusual in the field of training.

Herewith, therefore, I shall simply set forth the six fundamental principles of training to which we subscribe in Commonwealth Life, and around which all our training activities are built. Here they are—

First and foremost, we believe that training is the responsibility of the manager. Albeit with guidance from the home office, it is the manager who finds his prospective agent, interests him in an insurance career, decides whether or not the man meets our selection standards, employs him, guides him from day to day, and is held accountable for the man's success by the man himself on the one hand and the home office on the other—and therefore inevitably he must be responsible for training his agent. This applies in our judgment both to initial training and continuous training. Indeed, in our company we feel that the term, "manager" and "trainer" are almost interchangeable. A trainer is not quite a manager, because a manager has many other duties besides training. But a manager must be a trainer under our plan of operation.

Thus training is the responsibility of the manager. But the company accepts certain substantial responsibilities with respect to training which are subordinate to the first principle, namely that training is the manager's responsibility. The company's responsibilities, as we see it, are these—

A. To train the manager in the art and science of management as such and give him such additional and continuous training as he may require with respect to the job of the agent so that he may always be a master of that job as well as a master of management.

B. To furnish adequate training equipment and to definitize the process of training—in order to see that the manager may be well equipped to train, and that he may have standard training processes to follow which will rule out all waste in training in his agency.

C. The responsibility of supplementing the manager's training work—for example, we bring our men to home office schools, but as important as these are we consider them basically as supplements to his training activities.

D. To see that the manager does his job of training—to see that he works at the job of training, and to see that he does it in the manner prescribed.

Our second basic principle is that training is a continuous process. We recognize that the proportion of the agent's day or week which is devoted to training diminishes with the passing of time, beginning at 100% in his early days in the business, and diminishing to a fixed level (ideally, about 10%) which should be maintained so long as the agent remains active in business. But in acknowledging the propriety of this diminishing proportion we do not yield on the basic premise that training is a continuous process. We believe it is folly to consider that a man is "trained" at the end of a given number of days, or weeks, or pages, in his insurance career.

Our third principle is that training should put the new man into production as quickly as may properly be done. Economic consideration dictates this principle, of course. But our faith in this principle goes far beyond the need for quick production and early earnings. Our faith stems in greater measure from our belief that men learn by doing—that the most deeply rooted of the new agent's business habits will be those which he acquires first, and that it is vitally important for us to instill in the new agent, from the earliest possible moment, the habit of getting out from behind his desk and into the field.

In the case of our new ordinary agent, we throw him into the field at two o'clock in the afternoon of his first day in the life insurance business—alone. Obviously he is not ready to discuss the sale or purchase of life insurance. Indeed, he is not ready for three more days to engage in any prospecting activities. But on the very first day of his life insurance career we can send him into the field to engage in an informal market survey which has the three-fold benefit of getting him into the field at the earliest possible moment, of teaching him that men buy and keep insurance for reasons which pertain to their needs, and the uses they can make of insurance and not for reasons which pertain to policy contracts and costs, and of adding to his confidence and enthusiasm by enabling him to discover that men value highly that insurance which they own.

By the fourth day of the new ordinary agent's career, he is ready to go into the field to prospect, and on the fourth day of the second week of his Commonwealth career he is ready to go into the field to sell, using the simple package thrift presentation which we teach to all new men, even those mature exceptions who will quickly graduate to social security work and programming.

Although we believe in a great deal of field coaching and a considerable amount of joint work in the new agent's first month in the business, we believe that it is beneficial to him to make his earliest sales attempts entirely alone. We feel that it strengthens his legs to be obliged to walk without crutches at first, even though we may want to lend him crutches from time to time for considerable periods thereafter.

The fourth principle which colors all our training activities is our belief that training is more than teaching. It is, rather, the three-sided job of imparting knowledge, habits and skills, plus building attitude. We feel, as undoubtedly do you, that the agent who is well informed and nothing more will at worst become a derelict in our business and at best will probably prove to be a curb-stone actuary with an excellent score on technical knowledge and a very poor score on the production record.

This should not imply in any way that we decry the importance and value of knowledge, technical and otherwise, or that we minimize it in any way in our training program. We do not, but we consider that we must help the agent advance at the same pace on three fronts — knowledge, habits and skills, and attitude — and so we recognize that training involves a great deal more than teaching. Indeed, in our early months with the new agent we believe that the greater emphasis belongs on habits, skills and attitude, and the lesser emphasis on knowledge. We believe that the agent needs to know how life insurance serves before he needs to know how life insurance works and that the mastery of a simple package presentation or of a good prospecting procedure is infinitely more important in his early months in the business than the mastery of the intricacies of the legal reserve.

Fifth, we believe that training should have a central theme: That it should develop the agent's ability to use simple, positive, standard procedure.

The central theme in our training is a series of standard sales procedures, coordinated with standard prospecting procedures and a standard work control plan.

Our training in the field of selling (until we get beyond the level of simple programming and enter into the field of such semi-advanced underwriting as business insurance, inheritance and estate taxes, etc.), revolves around "standard operating procedure" in the field of selling. We have a total of 13 different presentations, all carefully developed over a period of time, all field tested, and all following the same general pattern to the greatest possible extent. These 13 presentations constitute 12 package presentations and one simple programming operation, and cover virtually all the basic needs for life insurance.

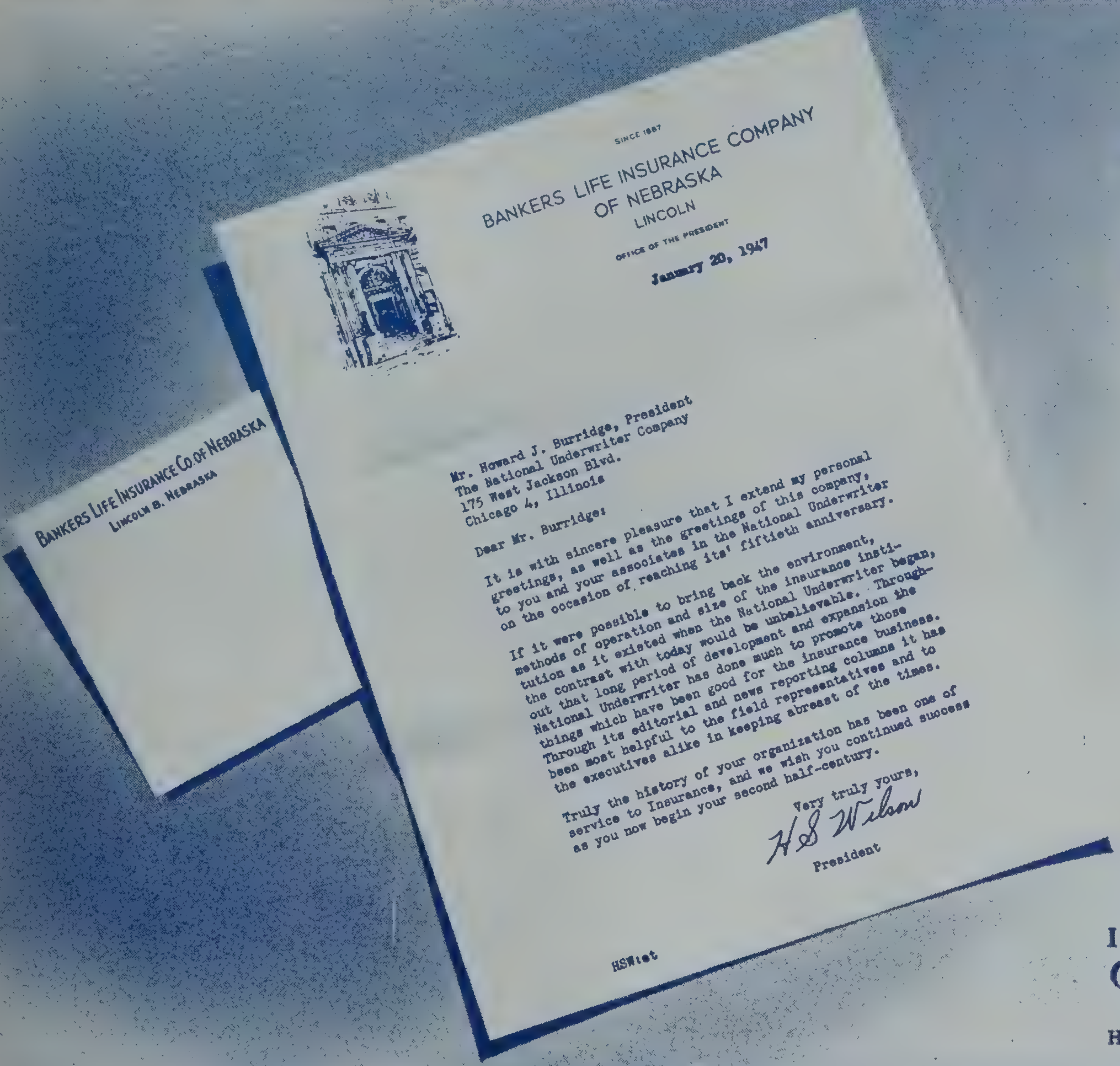
Benjamin N. Woodson, executive vice-president of Commonwealth Life of Louisville, who has been appointed special assistant to the Secretary of War to help in speeding up recruiting, is an authority on agency organization and training. He commenced his insurance career at Omaha where he carried a rate book for three years. Then he went to the head office of Mutual Trust Life at Chicago and worked up through the grades until he became western regional director. For a time he was assistant to the president and subsequently was made Seattle manager. He joined the Life Insurance Sales Research Bureau where he was consultant, director of service and assistant manager until his association with Commonwealth.

B. N. Woodson

Since all these sales presentations use the same approach and the same basic close (which naturally must be modified, but only slightly, according to individual circumstances), since each follows the same basic sales pattern, and since each one is geared to a demonstration folder, the amount of memorizing which a man must do to acquire a professional command of these sales presentations is not excessive.

The sixth and last guiding principle is that training should recognize varying capacity and aptitute, and should therefore be properly graded from elementary to advanced. We believe that all men should be given primary and basic training, and that only a constantly diminishing proportion will continue on to the constantly more advanced levels of training and life underwriting, and our training program is flexible accordingly.

We have no illusions that this is the whole story of training. We have no illusions that even a faithful adherence to these principles will work any miracles. But we believe that training is worthwhile, that any plan of training is better than no plan, and that a plan of training built around these principles, and carried out with determination and enthusiasm, will produce agents who will be better trained and more proficient.



BANKERS LIFE INSURANCE CO. OF NEBRASKA
LINCOLN 8, NEBRASKA

SINCE 1887
BANKERS LIFE INSURANCE COMPANY
OF NEBRASKA
LINCOLN
OFFICE OF THE PRESIDENT

January 20, 1947

Mr. Howard J. Burridge, President
The National Underwriter Company
175 West Jackson Blvd.
Chicago 4, Illinois

Dear Mr. Burridge:

It is with sincere pleasure that I extend my personal greetings, as well as the greetings of this company, to you and your associates in the National Underwriter on the occasion of reaching its' fiftieth anniversary.

If it were possible to bring back the environment, methods of operation and size of the insurance institution as it existed when the National Underwriter began, the contrast with today would be unbelievable. Throughout that long period of development and expansion the National Underwriter has done much to promote those things which have been good for the insurance business. Through its editorial and news reporting columns it has been most helpful to the field representatives and to the executives alike in keeping abreast of the times.

Truly the history of your organization has been one of service to Insurance, and we wish you continued success as you now begin your second half-century.

Very truly yours,
H S Wilson
President

HSW:et

Our
60th
year

As we begin our sixtieth year, we are happy to add our voice to the chorus of nation-wide congratulations offered to the National Underwriter upon their fifty successful years of service to Life Insurance.

Bankers Life
INSURANCE COMPANY
OF NEBRASKA

HOME OFFICE LINCOLN

FORMULA FOR LIVING

SERVICE—to the profit motive, forward looking private business management has added public service as an underlying basic purpose. This is a concept that the National Underwriter has embraced and practiced effectively for a half century.

We Salute You.

GENERAL AMERICAN LIFE INSURANCE COMPANY
WALTER W. HEAD, PRESIDENT
SAINT LOUIS

The Formation of

The American Life Convention

BY ISAAC M. HAMILTON

DECEMBER 5, 1905, at the Great Northern Hotel in Chicago, Charles M. Cartwright—then representing "The Western Underwriter," subsequently succeeded by the important NATIONAL UNDERWRITER, of which Mr. Cartwright for years has been the able editor—and I, as president of Federal Life, attended a conference of those representing 16 life companies of the central and middle west, then mostly of small or medium size. The conference was called "to consider matters of mutual interest such as agency management, national and state supervision, and other important questions with the end in view that the best interests of the policyholders may be conserved." The call for this conference was signed by Sidney A. Foster, then secretary of Royal Union Mutual Life, Des Moines; Joseph B. Reynolds, president of Kansas City Life, and Charles E. Dark, vice-president of American Central Life of Indianapolis. The call was dated November 15, 1905.

As it happens, Mr. Cartwright and I are the only surviving life insurance men who attended the conference.

J. B. Reynolds presided as chairman of the conference, while T. B. Blackburn, counsel of Bankers Reserve Life of Omaha, served as secretary.

WHEN the conference adjourned for luncheon, newsboys were on the street with extras of the Chicago daily newspapers carrying the information that President Theodore Roosevelt, then in the White House, had issued a special message advocating control and regulation of life insurance companies by the federal government.

When the conference reconvened after luncheon it became apparent that some of those in attendance, perhaps more or less motivated by fear of recrimination if they opposed such national regulation, expressed hesitation about assuming membership for themselves or the companies they represented in an organization of life companies then being considered. However, late at night eight of those in attendance voted to adjourn the conference to meet at the Jefferson Hotel, St. Louis, January 30, 1906, when the actual organization of the American Life Convention was concluded by adopting a constitution and by-laws, the election of Mr. Reynolds as president and Mr. Blackburn as secretary. An executive committee was elected. This included the president and secretary and Messrs. Robinson, Dark, Smith, C. R. Porter, president of State Mutual Life, Rome, Georgia, and Mr. Hamilton. A membership fee of $10 per company was established with annual dues of $10. The compensation of the secretary was fixed at $200 per annum.

September 28-29, 1906, Look-out Mountain, Tennessee, were the time and place of the first annual meeting of the Convention.

Not all of the companies represented at the Chicago conference became members of the Convention at St. Louis. As I recall, the following companies were members at the time of the first annual meeting at Look-out Mountain:

American Central Life; Bankers Reserve Life; Kansas City Life; LaFayette Life, LaFayette, Indiana; Lincoln National Life; Meridian Life & Trust; Missouri State Life; Register Life; Reliable Life, Indianapolis; Reserve Loan Life, Indianapolis; Security Mutual Life, Lincoln, Nebraska; State Mutual Life; Volunteer State Life; Greensboro Life, Greensboro, North Carolina; Michigan Mutual Life, Detroit; Majestic Life, Indianapolis; U. S. Annuity & Life, Chicago; Minnesota Mutual Life, St. Paul; Security Life & Annuity, Greensboro, North Carolina; Louisiana National Life, New Orleans; Central Union Life, Indianapolis; State Life of Indiana, Indianapolis; Guaranty Mutual Life, Davenport, Iowa; and Federal Life.

THE early days of the Convention were fraught with events and developments of both men and measures which have proven of almost incalculable value to life insurance itself as well as to insured and their beneficiaries.

At the Chicago conference the following resolutions were adopted:

Resolved, That we favor the utmost publicity in the life insurance business; we invite the closest supervision of honest public officials; we favor such uniformity of laws in the several states as shall safeguard the interests of policyholders, avoid abuses and take the public and policyholders into the confidence of the management; and believe that corrupt officials should be promptly punished. We believe the searchlight of careful, competent and honest investigation has no terrors to honest life companies.

Resolved, That we are opposed to any interference with state supervision and control of life insurance companies, that federal supervision is not expedient, and we believe it is unconstitutional, and under existing conditions we are opposed to it. We endorse strict state supervision.

At the St. Louis meeting the above declarations were reaffirmed.

AT the Look-out Mountain meeting, the following resolutions were added:

Be it resolved by the American Life Convention, that we not only do not oppose, but invite reforms. We favor wholesome laws and their strict enforcement; we favor publicity, economy, and strict statutory provisions as to the character of securities in which the trust funds of life insurance companies may be invested.

We favor laws limiting investments to the following kinds and classes of securities:

Bonds of the United States, or of any State, County, City, Town, Village or duly organized school district therein; loans upon improved unincumbered real property in any of the States, not exceeding 50 per centum of the value of such property; buildings for home office purposes; promissory notes amply secured by pledge of any bonds in which such insurance corporations are hereby authorized to invest their funds, and loans upon the security of their own policies not exceeding the reserve thereon.

We believe the new business written each year should pay the cost of procuring the same, and be no direct or indirect charge on the old business for either the cost of procuring it or for the reserve thereon. We, therefore, favor the first year term method of valuation both in theory and practice and submit that it is safe, sound and scientific.

We are opposed to standard forms of policies on the broad ground that it interferes with the right to contract. We believe that in Life Insurance, as in all other lines of endeavor, the citizen has the absolute right to purchase such form of policy and to make such legitimate contract as is peculiarly suited to his individual requirements. The framing of standard forms prevents progress in the science of life insurance, prohibits the citizen from procuring what he needs and places in a legislative bill unalterable rules abridging the right to contract in that line which more fully covers and touches the life of the average man than any other.

We believe that each man has a right to protect his estate as he sees fit and that this right to protect his estate is as fixed as the right to protect his person.

AT the time of organization the question of utmost importance to the younger companies of the country was that of valuation; it was regarded as absolutely vital to their very existence. At that time four systems or methods of valuation were advocated by different groups—the net premium valuation system, the preliminary term system, the select and ultimate system, and the modified preliminary term system. It was because of its importance and its "workability" that the preliminary conference and later the Convention, after very full and complete discussion, promptly and forcibly went on record by resolution favoring the preliminary first year term method of valuation both in theory and practice as being safe, sound and scientific.

THE important and voluminous actions taken by the Convention from time to time almost without exception have proven wise and helpful to its members and to life insurance generally.

National supervision and its possibilities was another major problem confronting the Convention. State supervision of life insurance companies already was an actuality; should national supervision of such companies be enacted it was recognized that there would be dual supervision and that in all probability the life companies then would suffer many of the inconveniences and disadvantages and increased expenses as the railroads of the country had experienced. Naturally the Convention vigorously opposed national supervision.

Isaac Miller Hamilton, chairman of Federal Life of Chicago, is the sole survivor of the founders of the American Life Convention, of which he was an early president. As such, he is always called on at the annual meeting to make the motion to adjourn at its close and at that time he gives a little talk about the organization.

Before getting into life insurance, he was engaged in general merchandising, live stock and banking. Mr. Hamilton is a native of Ash Grove, Illinois. He was admitted to the Illinois bar in 1888 and served in the Illinois senate from 1896 to 1900. Organizing Federal Life in 1900, he was its head until recently when L. D. Cavanaugh became president. At one time he was president of the Health & Accident Underwriters Conference, and he helped organize and was first president of the Life Agency Officers Association.

I. M. Hamilton

The Convention, from time to time, has established various sections or bureaus, the Legal Section at Indianapolis in 1907; the Medical Section at Des Moines in 1910; the Inspection Bureau, called the American Service Bureau, the Agency Section, the Financial Section, etc. Some of these sections have contributed greatly to the efficency and economical operations of the member companies. I feel that Dr. E. G. Simmons, executive vice-president of Pan-American Life of New Orleans, deserves especial praise and commendation for his yeoman service in connection with the American Service Bureau, as do Harry L. Seay, then president of Southland Life of Dallas, and Lee N. Parker who, for years, has been the capable president and manager of the Bureau. I feel confident the Bureau's economical and capable management has saved the member companies a very large amount of money which, without the Bureau, they would have been compelled to pay to other inspection services.

The meetings of the American Life Convention, from the very start, have been open to the public and discussion has been free and unrestricted. Very many able papers have been presented at the meetings, some of them being def-

Industrial Business

It takes protection to those who need it most

BY G. E. WOHLGEMUTH

IN THE early days of industrial insurance in England, it was customary for agents to go to the London market places on Saturday, set up their stand under a flaring torch light, and call attention to their wares by ringing a bell and crying—"Ten pounds for a penny a week!" In the early days in this country, the industrial man was known as a "nickel and dime" agent. His main purpose was to assure that the family of the breadwinner would not be left penniless upon his death and dependent on charity for burial and last expenses.

Perhaps the most notable development in the industrial business in the past 50 years has been the changed concept of the work of the man on the debit. From this early function of providing burial insurance, the industrial agent has developed into the life insurance adviser to the majority of American families, equipped and trained to supply their personal or business insurance needs.

With the vast growth and economic development of the United States since the beginning of this century, urbanization of population, increase in national wealth, and the growing importance of the wage earner as an economic factor, the industrial man, through the means of his friendly contacts among the insured on his closely knit debit, has been in an extremely favorable position to build the life insurance program of the average person. Not only has the wage earner grown in importance as a prospect group, but as the individual prospered under favorable conditions which recognized no class or caste barriers, he frequently continued to buy much of his life insurance from the agent who started him off on a small weekly premium policy. There are men today with $500,000 and more of ordinary life insurance who retain the small industrial policy which their parents bought for them when they were young.

The changed conception of the work of the man on the debit has resulted in an endeavor, particularly in the past few years, to find a term more accurately descriptive of his work than "industrial," originally applied because he wrote his business among the working or industrial classes. While a number of terms have been used in this connection, among them "weekly pre-

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Formation of Convention

inite "classics" on the subjects treated by them. The proceedings always have been published and widely distributed and much sought after by residents of the United States and foreign countries.

Dealing with the formation of the Convention, tribute should be paid to Joseph B. Reynolds, first president of the Convention, and to Thomas W. Blackburn, who served the Convention as its secretary so ably and satisfactorily for so many years, as well as to all those who have served the Convention as its presidents, always unselfishly and without compensation or reimbursement for their personal expenses.

It often has been wondered why the name American Life Convention was adopted and frequently desires have been expressed to change the name to one that would convey an understanding of its purposes. The fact is that, at the time of organization, some of its founders preferred to have a name that would not indicate its membership was composed of life insurance companies.

WITHOUT intending to minimize or, in any manner disparage the services and value to the Convention of others, I think it proper to say that Dr. F. L. B. Jenney was elected secretary of the Medical Section of the Convention at the time of its organization and continued to serve ably as such for about 25 years. I think also that special mention should be made of the services to the Convention of Charles F. Coffin and Wilbur S. Wynn, vice-president and secretary, respectively, of State Life of Indianapolis, and O. J. Arnold, now president of Northwestern National Life, Minneapolis.

Mention also should be made of the able services of the following managers who, during the years, have served the Convention:

Claris Adams, now president of Ohio State Life; Judge Byron K. Elliott, now vice-president and general counsel of John Hancock Mutual Life; the late Colonel Charles Burton Robbins, and the present very able and diplomatic incumbent, Robert L. Hogg.

Heartiest Congratulations
to
The National Underwriter
on its splendid record of a
half century of helpful service
to Life Insurance

Bankers National Life Insurance Company
RALPH R. LOUNSBURY, President
Montclair, New Jersey

mium," "dual," and "mixed," the word "combination" is likely to be most commonly used for industrial agents and companies in the future. The term received official recognition when the members of the Industrial Section of the American Life Convention recommended to the executive committee of that organization that the section be known in the future as the Combination Company Section. Its use is increasing.

THE growth of the combination companies over the past 50 years has been impressive. In 1897, the legal reserve companies writing industrial had $146,783,808 ordinary out of the total of $5,330,478,058 in force. Their industrial business in force in that year was $991,052,819. In 1945, the combination companies, including the ordinary of those companies having separate ordinary agencies, had $37,825,883,342 of ordinary in force out of a total of $104,456,034,000. Their industrial in force had grown to $28,732,003,188. Their ordinary had grown from 3% to 36% of the total ordinary in force, while their industrial business had multiplied 29 times.

Combination agents are engaged primarily in the business of insuring the lives of wage earners and their families. In the past few years, and at an accelerated pace during the war, the wage earner has enjoyed greatly increased earnings and has become important as a buyer of ordinary insurance. The man on the debit therefore has had to learn how to sell ordinary to meet the insurance needs of both wage earners and the small business man.

Combination agents are well trained. Many have become Chartered Life Underwriters.

Industrial insurance contracts have consistently been broadened and liberalized down through the years with the improved efficiency and decreased costs of handling the business. In addition to furnishing funds for burial and last illness it also makes possible savings programs which have been extremely popular with wage earners. Most families have little accumulated to meet the unexpected expenses of fatal illness. Most companies take special precautions to insure the prompt payment of claims, particularly industrial claims, and district offices often have authority, in case of death, to advance up to $500 before authorization from the home office. The S. E. C. study of industrial insurance in Boston showed seven out of ten families made no use of savings banks and a large proportion had no savings whatever outside of their life insurance.

Combination companies have spent vast sums on educational and training programs and by the very nature of the debit system, the supervision by the assistant manager and manager is close and efficient. The combination agent is producing 50% of the new ordinary written today and perhaps 99% of his business is written in the form of individual policies of $5,000 or less. The percentage of ordinary volume from combination agents will undoubtedly increase in the future because of the high percentage of national income going to the wage earner.

Among the major companies, the average combination agent places almost $8,000 monthly, or close to $100,000 a year of ordinary business. This is not far behind the average figure for strictly ordinary agents. The average earnings for combination agents is considerably better than that for ordinary companies, and there are not the extremes in earnings. The top man in the industrial field today is earning between $15,000 and $16,000 a year. For the major companies, the average lies probably between $75 and $80 weekly, and in one company, for all agents with the organization a year or more, the average per week exceeds $100.

Of great importance in the growing production of ordinary in the industrial field is the fact that all combination agents are full time men. They engage in no other business, even in small towns. They can devote their energies to improving their knowledge of the business and selling skill. With a basic foundation of weekly premium business which gives him a sizable service fee, the combination agent can make a comfortable living in areas where an ordinary agent would be obliged to supplement his income with other work.

ONE of the major factors in the growth of the industrial system has been the policy of the companies to advance men within the ranks. No promotions to managerial positions are made unless the man has had field experience as an agent on a debit with the same company. Some companies require that all of their home office executives who deal with the field have practical field experience. The knowledge on the part of the agent that no outsider is going to be brought in and placed over him promotes a high esprit de corps.

Perhaps in no other branch of insurance have so many company presidents and top executive officers come up from the agency ranks. The business provides a man with unusual opportunity, if he has determination and ability, to rise from a debit to a managerial position of responsibility with earnings in excess of $10,000 a year. This is a tremendous incentive to the man on the debit to apply himself in his work.

Passage of the social security act in 1937 decisively changed the attitude of the combination agent toward ordinary. Ordinary insurance had been important to him, but retirement and survivors benefits provided under the act cut his last ties to the idea of producing ordinary in terms of $1,000 policies. This gave a great impetus to ordinary sales. The agent was impelled to think in terms of income, and the prospect bought income and not $1,000 policies. Because social security gave a subsistence benefit on which to build a private program, a vast new field of prospects was opened to the agent because relatively small amounts of life insurance could be programmed in conjunction with social security benefits.

The standard of $10,000 of insurance for those in service during the war served to raise the sights of vast numbers of the prospects of present and future.

Cultivating a small territory intensively and close supervision have made the debit man systematic in his solicitation of business. The value of systematic solicitation was discovered early. Prudential of London entered the industrial field in 1854. It had about decided to give up the venture when many laborers were thrown out of work in the Lancashire mills. A number of them were hired by Prudential. The results of their systematic work in selling fellow workers convinced the company the business could be written profitably, and by the time Prudential of America started in 1875, Prudential of London had in force about 2,500,000 policies.

IN 1879, both Metropolitan and John Hancock, which had both been writing ordinary for some years, followed Prudential into the field. Home Friendly was one of the earliest companies in the field, starting in 1882. To an agent of Home Friendly at Atlanta, John N. McEachern, the south owes much of the great development in industrial insurance. Mr. McEachern has been called the father of industrial insurance in the south, since the origin of so many southern companies may be traced to representatives of Industrial Life & Health who received their early training under Mr. McEachern. Among leaders responsible for the development of the southern companies are A. B. Langley, Carolina Life; C. A. Craig and C. R. Clements of National Life & Accident; Harry R. and George R. Kendall, Washington National; A. M. Burton, Life & Casualty; T. T. Phillips, Gulf Life; and P. L. Hay, Bankers Health & Life.

Most of the southern combination companies, particularly those which started as offshoots of Industrial Life and Health, began as weekly health and accident companies writing substandard business. Generally, they started writing policies with an assessment clause and not until they were established did they go into the life field and become legal reserve companies.

AN interesting aspect of the business has been the great development of Negro companies in the industrial field, particularly in the south. Burial and fraternal societies found the Negroes a fruitful field of development.

The promotion of Standard Life of Atlanta by H. E. Perry had much to do with the development of the Negro companies, and many were organized in the period 1893 to 1913 in states with large Negro populations. Southern Aid Society of Richmond, organized in 1893 with a capital of $5,000, is said to be the first Negro industrial company to organize on the basis of the experience of the early fraternal societies.

Atlanta Life, which has the largest amount of insurance in force, was founded in 1905 by A. F. Herndon, who was born a slave not far from Atlanta. He operated one of the leading barber shops there. His interest turned to real estate and then to life insurance, culminating in the formation of Atlanta Life. He died a wealthy man.

One of the greatest contributions of the industrial agent to American life has been his work as an educator of thrift in homes where savings previously were unknown. Through the later years of the vast immigration of Europeans, the industrial agent has been an Americanizing influence. There was a tendency to settle en bloc in larger cities by racial groups. This constituted a vast undigested body of citizens who retained many of their customs and ideas. The leavening effect of the work of the industrial man among such groups is momentous. Carrying the American social and political ideas as well as bringing the message of thrift or of providing for a rainy day, the industrial man has been an important factor in the assimilation of these people into our national economy.

Whatever the future of the life insurance business as a private enterprise, it is certain that there will be combination companies as long as it endures. They will continue meeting the needs of vast numbers of the American people. They will continue to progress because the combination agent is the only life insurance man who can reasonably expect to sell that portion of the American people who need life insurance the most. The combination agent will continue to account for a large share of the ordinary business sold.

Incontestable Clause 1864

"This policy is incontestable after five years from its date, for or on account of errors, omissions and misstatements in the application, except as to age."

This, the first incontestable clause, appeared, set vertically, in the margin of the policy face, in April, 1864, in Manhattan Life's "wife's policy." Forty-one years later the incontestable clause generally was required by law. Directors noted that the clause had been adopted by European companies with certain advantages.

Capital vs. Debt Obligations

In investment field, business has economic responsibility to aid in process of capital formation

BY G. T. CONKLIN, JR.

BACK when Founder E. Jay Wohlgemuth used to sell subscriptions to the infant NATIONAL UNDERWRITER to get train fare to the next town, being in the investment end of the life insurance business was a definitely plushy job. A man could wear a morning coat with striped trousers that kept their crease for weeks, and railroad passes arrived by the bushel. Even then the companies had plenty of money to invest, but there were at least six honorable suitors for every maiden dollar, and interest was something that began at 6%.

Times have changed. THE NATIONAL UNDERWRITER has to worry about the paper supply and would probably fire a representative who put pressure on anyone for a subscription. The life insurance investment man pays cash when he travels (he travels a lot), considers a good 3% loan a minor miracle, and the last time he saw striped trousers was in a Broadway revival just before the war.

What has happened is of course as complex as our whole economic structure, but some of the principal developments are easy to picture.

Fifty years ago, life insurance funds available for investment amounted to less than 8% of the total long-term private debt outstanding in the country. For that matter, our total private institutional savings amounted to less than 30% of the total debt. There was no need for an investment man to hunt out investment opportunities; his main job was to pick and choose, and he could afford to be pretty arbitrary; if a given investment didn't strike his fancy, he could pass it up with the comfortable assurance there'd be plenty of additional offerings to choose from.

What a difference 50 years can make. The savings which policyholders have entrusted to life insurance companies have grown like Jack's beanstalk, both absolutely and in relation to national income, with the result that these savings now amount to well over half of the total private long-term debt. That situation, of itself, creates a good many problems for an institution that must combine good earnings with absolutely maximum security; but it's only part of the story. Today, the total of all private institutional savings considerably exceeds the available supply of private long-term debt.

Since 1930, life insurance savings alone have increased more than $27 billion, while total private long-term debt has declined about $22 billion. (Incidentally, in this article "long-term private debt" refers to mortgages, bonds and notes, other than government, with more than one year to run; and "private institutional savings" means savings in life insurance, in banks and in savings and building and loan associations.)

Partly as a result of supply exceeding demand, but also because of the government's easy-money policy, interest rates have gone lower and lower. Life insurance investment men have to put about as much actual selling into finding suitable investments as an agent does in placing a substantial policy—and then when they do find them, they have to settle for about half the interest rate that was taken for granted in the year of NATIONAL UNDERWRITER'S birth.

The effect on life insurance operations has of course been pretty profound. The net cost of life insurance is determined by three factors: Earnings from the investment of policy reserves; mortality experience; and operating expenses. Inevitably, a decline in the return on investments increases the cost of life insurance. This fact is generally realized, but its importance is too often glossed over. For example:

If the rate of return on insurance company investments in 1945 had equalled the 1930 rate, the earnings of life insurance companies would have been more than $900 million greater in 1945—and that amount exceeds the total of all home office and agency operating expenses for the entire industry for the year.

When faced with increased expenses, most corporations have a relatively easy-to-take remedy at hand; they simply increase their

Congratulations and Best Wishes
To
THE NATIONAL UNDERWRITER
On The Occasion Of Its
FIFTIETH ANNIVERSARY

KENTUCKY HOME MUTUAL LIFE INSURANCE COMPANY
The South's Largest Mutual Life Insurance Company
LOUISVILLE, KENTUCKY **ELLSWORTH REGENSTEIN, President**

prices. For example, General Motors has increased the price of its cars a number of times over the past several years; and that solves the problem, because all past sales are completed transactions.

The life insurance problem cannot be handled quite so directly. Life insurance costs can be passed to the policyholder only to a certain point; past sales are not complete transactions (most have many years yet to run) and the gross price cannot be increased on old policies. Further, when a man buys a life insurance policy, he is guaranteed a certain minimum rate of interest on his policy reserves, and that cannot be changed as long as the policy remains in force.

Another facet of the life insurance investment problem that makes some investment men wish they were agents also grows out of the long-term nature of the policy contract. The companies naturally invest in long-term securities in order to obtain the best yield. A given block of policy reserves may be invested in an issue of 30-year public utility bonds. The borrower, in this type of transaction, nearly always reserves the right to change the interest payable on his loan, if future interest rates should decline. (This is accomplished by the call provision in corporate bonds.)

All of this means that if a life insurance company invests policyholders' reserves on which it has guaranteed to earn 3½% in public utility bonds yielding that amount, and subsequent interest rates for that quality bond drop to 3%, the borrower, by paying a small premium, can pay off the bonds and get out a new issue at 3%.

On the other hand, if interest rates go up, the insurance company cannot obtain a higher return; it can't sell the securities and invest at a higher rate because when interest rates are going up, no other investor wants to make a bad bargain. For example, if it sold, it would have to do so at a substantial discount. Life insurance investment men, therefore, travel a one-way street in so far as interest rates are concerned; the only possible change is unfavorable to the companies.

George T. Conklin, Jr., entered the investment field in 1937 as vice-president of Haas & Conklin, Inc., investment counsel. He joined Guardian Life's investment department in 1939, and in 1943 was made assistant to President James A McLain. After 23 months of army service, during which he was a renegotiation and contract termination officer, he rejoined Guardian in March, 1946, and was appointed assistant to the president and director of research.

G. T. Conklin

Graduating from Dartmouth in 1936, Mr. Conklin received his master's degree from the Amos Tuck School of Administration & Finance in 1937. He received his Ph.D. in economics from New York University in 1943.

With almost all of the $174 billion of insurance in force today guaranteeing interest of either 3 or 3½% on policy reserves, two facts have especial significance: (1) In 1945, the rate of return realized by life insurance companies on all of their assets was 3.09%; and (2) the return realized on new investments has been below 3% for some years.

In addition to being asked to do the neat trick (undreamed of 50 years ago) of meeting 3%-plus requirements with 3%-minus securities, modern life insurance faces still another problem which is a product of the era. With the publication, in 1936, of the Keynes book, "The General Theory of Employment," a new and powerful school of economic thought came into being. In effect, this school contends that in an advanced capitalistic economy such as we have in the United States, there may well be a chronic tendency toward over-saving, which prevents the attainment of full employment and creates economic stagnation.

With life insurance as one of the primary forms of individual savings, the industry has unavoidably been subject to a good deal of criticism by proponents of Keynes' ideas. Government ownership of life insurance is one solution that they suggest.

The theory runs that our economy has become mature in the sense that we no longer need the proportion of capital investment that we used to require; as the economy grows richer, savings become greater and greater and the tendency is to outrun investment outlets. When this takes place, savings cannot find employment in productive enterprise and become stagnant pools, creating depression and unemployment.

Actually, there is one important element of truth running through the teachings of Keynes' followers that should be recognized by every man with a stake in the future of the life insurance business: Unless the savings of the economy find employment in capital formation, they do become deflationary and can lead to unemployment.

In a quite real sense, the life insurance business has a positive economic responsibility to see that its funds aid in the process of capital formation. We cannot, without incurring just criticism, continue to insist upon investing only in debt obligations. If the future supply of savings tends, as it has in the past, to outrun the amount of debt which businessmen and individuals wish to incur, then more equity investment, and direct investing in housing, commercial properties and the like, is probably the solution—both to holding interest yields even with requirements, and discharging our basic responsibility to the economy.

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DIRECT HOME OFFICE CONTRACTS AVAILABLE TO MEN AND WOMEN IN TEXAS WHO CAN QUALIFY. UNUSUAL OPPORTUNITY FOR CAPABLE REPRESENTATIVES. WRITE JOE G. REECE, AGENCY DIRECTOR.

PIONEER COMPANY OF THE SOUTHWEST

Record Representation

BY F. G. BALL

I WAS born on a farm in southern Wisconsin, August 1, 1855. In 1880 I came to the Dakota Territory and took a homestead in this county, then all open virgin prairie land. We broke up the soil, mostly with ox teams, and we planted wheat and flax, and we fought prairie fires by way of diversion. Those were interesting days, you may be sure. One of the requirements was that we plant a certain acreage to trees of various kinds. For the most part we had plenty of moisture and everything grew luxuriantly. Many of these old tree claims are still standing.

F. G. Ball

The year 1894 is well remembered by all the old-timers as one of total crop failure. This was what really put me in the insurance business. I had sold some fire insurance while on the farm, and on August 1, 1894, I made my contract with Northwestern National Life. In the fall I moved into Madison, South Dakota, in the same county, where I have lived ever since, devoting my entire time to the life and fire insurance business, selling and giving the service that goes with it.

I had never thought well of life insurance—in fact my own people were against it. But while on the farm I suffered a very serious illness, fully expecting never to recover. I did get well, and from that time I could see why some life insurance was so necessary for every family. In 1894 there was much aversion to life insurance, due to religious scruples or ignorance of what it really meant, or "insurance costs too much." Most of the women "did not believe in life insurance", and were no doubt more or less honest in saying so. But the widows of that time believed in it, just as they do now.

Of course, I had had no training whatever in the sale of any kind of insurance. No doubt there was little of it in those days. One took a rate book and some applications and with team and buggy started out to sell. I had many amusing experiences in trying to sell the husbands of women who did not believe in insurance.

On one occasion I called on a farmer. He said he wanted to buy, but his wife objected. We hadn't talked long when the "Mrs." came to the door and shouted: "Now remember what I told you — no more life insurance on this farm", and disappeared inside. I got out of the buggy, went to the house and had a little pointed talk with that lady. I asked what would happen to her and the children if her husband were taken away. In a short time she went to the door and called: "I guess you better buy a policy from Mr. Ball". He kept up the policy, and only a few years ago we paid his widow the cash proceeds, which were very acceptable.

In another case I sold a man a policy in spite of his wife's objections. In less than a year he died as a result of sunstroke while working in his harvest field. That widow lost no time in coming to my office after the funeral to demand payment, and she was very angry because she had to wait a few days for the claim to be sent to the company.

Life insurance contracts are much better now than they were. There have been many improvements, especially as to surrender values. I think in the 90s there was not much to be "gotten back," if any, when a policyholder could not make his payments.

A GENERAL line of other insurance has been a very important part of my business all these years. These policies also have all been greatly improved. There is much more real protection, broader coverage, more liberal settlements. One of the good fire companies I represented in the 90s had a very fine state agent who, like most others at that time, had to adjust every loss for his company. This gentleman thought it was his duty to scale down every claim, and he boasted to me that he had never paid a claim in full—and never would. I did no business with that company from then on.

I think the companies have done a fine job in meeting the changing needs of the public, with all the new things coming into use, such as the automobile, radio, and electrical appliances of all kinds—each in itself a new hazard for which the companies had no way to set a rate from experience. For many years policies, reports and records had to be done in long hand. Each company had its own forms for various sorts of risks, with a multitude of special permits to be attached, as the case required. There was nothing uniform. Rates were cut frequently, which resulted in much trouble, confusion and dissatisfaction to all concerned.

I suppose it is really something unusual for an agent to represent the same company, continuously, in the same town, for a period of more than 50 years. But such is my record with Northwestern National Life. It was 52 years August 1, 1946. I also have represented four stock fire companies in Madison continuously for more than 35 years. These are Columbia Fire, Connecticut Fire, American of Newark, and National Liberty.

We have enjoyed our association with these fine reliable companies. I have never regretted that I engaged in the insurance business. It is a fine, clean and satisfactory life work.

Entering Our
SIXTIETH YEAR
of
Service

To Editor C. M. Cartwright and his National Underwriter associates, our best wishes and congratulations on fifty years of distinguished service to the insurance industry.

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AMICABLE LIFE INSURANCE COMPANY
"FAITHFUL PROTECTION"
WACO TEXAS

§

Life Advertising Isn't 50, But It Has Grown up Fast

BY POWELL STAMPER

FIFTY years ago, there wasn't much going on in the way of life insurance advertising, as doubtless C. M. Cartwright can testify from his early experiences in the publication of a business paper.

But today, life insurance advertising has grown up.

Much of this good, strong, healthy growth in advertising has occurred in the past 15 years. Furthermore, life insurance advertising is, with rare exceptions, uniformly high in its quality, and based on worthy ideals.

Life insurance is, I believe, more sensitive to the public and its reactions than any other business, and the individual companies, ably aided by their agents in the field, are courting favorable public opinion in the ways which count most: With intelligent messages of what life insurance can do for people, backed up by effective, sincere service from the men in the field.

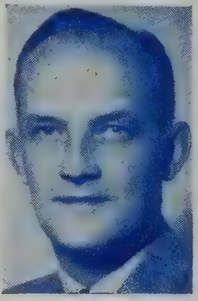
True, comparatively few of the companies have reached advertising proportions or activities on a national scale, that is, if one thinks of advertising only in terms of space in publications of national circulation. But more and more of them are doing that, and all of them are advertising in various media and varying degrees as befits their respective schemes of operation. But life insurance advertising is more than advertising. It is education; it is spreading the gospel of life insurance benefits and service, not only by printed word but by word of mouth; it is an intelligent, conscientious service to some 75 million policyholders by well selected and well trained agents.

Life insurance advertising in all its diversity of activities is best illustrated by the fact that the membership of the Life Insurance Advertisers Association is made up of some 250 men and women who are the utility men in their respective companies. They are not only advertising managers and assistant advertising managers. They are editors of publications, directors of field service, agency assistants, public relations directors, supervisors of training, executive assistants, and so on. A good many of them are vice-presidents of their companies, at least a dozen are presidents.

This, more than anything else I can think of, serves to illustrate the interests of the companies in life insurance advertising and its related activities, and the manner in which such activities influence the companies' planning.

Finally, I think we must credit the Institute of Life Insurance with some of the progress which has been made in recent years in life insurance advertising, first because the institute has sold top executives on the value and the power of advertising and made many companies advertising conscious who were not before; and, second, because of the excellence of the cooperative advertising campaign which the institute is handling.

Personally, I hope life insurance advertising grows and improves as much in the next 50 years as the business itself has grown and improved its product and its service in the past 50.



Powell Stamper

Powell Stamper, sales promotion manager of National Life & Accident and president of the Life Insurance Advertisers Association, has been in life insurance since 1925, all of it with his present company. He started as cashier in Jonesboro, Ark.; later he was an agent. Then he became assistant to Vice-president Stevenson, and was district manager before assuming his present position with the company in 1938. In the Life Advertisers Association Mr. Stamper has occupied a number of posts, and has been a member of its executive committee for the past seven years. He has just been appointed a member of the public information committee of the Life Insurance Agency Management Association.

Insurance Rules for Participants in War with Spain

When the war with Spain was imminent the company announced its readiness to give permits, upon applications therefor, to those insured by policies that had been previously issued, to engage in the naval and military service of the United States, without extra premium or charge. This offer did not extend to those applying for policies after the war was declared and proposing to engage in such service, To such applicants the amount of insurance was limited to $2,000 in each case and for it an extra charge was made of 5% of the amount insured.

Ten policies of this class were issued for an aggregate sum of $12,000, for which $600 in extra premiums was paid. Permits were given to 166 applicants, previously insured. The amount insured by the 166 policies was $578,000. Among these there were three deaths considered to be direct results of the war, though the insured had not left the United States, but died of typhoid fever in hospitals at different military camps—one at Fort Meyer, Virginia, one at Knoxville, Tennessee, and one at Fort McPherson, Georgia. They were young men, volunteer privates, insured for $1,000 each.

A fourth, and a notable death in the naval service, was that of Captain Charles V. Gridley, of Erie, Pennsylvania, insured August 12, 1873, for $5,000, then a naval officer 29 years of age. In March, 1897, he was ordered to the Asiatic squadron, and on July 28, 1897, assigned to the U. S. S. "Olympia," which, at the naval battle before Manila, May 1, 1898, was the flagship of Admiral Dewey. Captain Gridley, then in command, had been and then was sick, but wished to remain on the bridge with the Admiral during the fight.

The admiral would not risk losing all the senior officers by one shell, and sent him to the conning-tower. These circumstances appear in the proofs of loss, from which it further appears that the roar of his own and the enemy's guns affected the sick commander, so far aggravating his disease that he was invalided soon after and ordered home.

On the way from Hong Kong to Kobe, in Japan, June 5, he died from cirrhosis of the liver, with extensive hemorrhage of the bowels. His death is stated by the attending Surgeon-General in his certificate accompanying the proofs to have been much hastened by, if not due entirely to his exertions and excitement in the battle. His remains were buried at Erie, the place of his home. His age was 54. The four deaths above are the only reported ones resulting more or less directly from the war.

—Mutual Benefit Pelican.

Life Companies' Participation in Federal Financing

	Millions of Govt. Bonds held by Insurance Cos.	% of Assets	$ Billions of Federal Debt	% Held by Companies
1916 ...	1.5	.0	1.2	0.1
1917 ...	70	1.2	7.3	1.0
1918 ...	560	8.6	20.9	2.7
1919 ...	780	11.5	25.5	3.1
1920 ...	830	11.3	23.5	3.5
1940 ...	5,857	19.0	45.0	13.0
1941 ...	6,694	20.5	58.0	11.5
1942 ...	9,222	26.4	108.2	8.5
1943 ...	12,412	32.9	165.9	7.5
1944 ...	16,384	39.9	230.6	7.1
1945 ...	20,583	45.9	278.1	7.4
1946 ...	21,500	44.3	269.4	8.0

	Increase in Bonds Held by Companies	Increase in Debt	% Increase Held by Companies
1917	68.5	6.1	1.1
1918	490	13.6	3.6
1919	220	4.6	4.8
1920	50	—2.0	—
1941	837	13.0	6.4
1942	2,528	50.2	5.0
1943	3,190	57.7	5.5
1944	3,972	64.7	6.1
1945	4,199	47.5	8.8
1946	917	—8.7	—

—Statistical Division, Institute of Life Insurance.

Program of 1910 Agents' Parley of Kansas City Life

PROGRAM

Tuesday

2:00 p.m.—Informal meeting to permit members of the convention to exchange greetings and become acquainted with each other.

3:00 p.m.—Address, "Medical Department of a Life Insurance Company," by Dr. Ambrose Talbot, medical director. General discussion.

8:00 p.m.—Short talks by the different general agents on topic, "Elements of Success in Field Work," to be followed by a general discussion.

Wednesday

9:30 a.m.—Address, "The Actuarial Department," by R. Montague Webb, actuary. Mr. Webb will, at the conclusion of his talk, answer any questions by members of the convention.

11:30 a.m.—Short talk, "Insurance Investments," by F. W. Fleming, secretary and H. C. Arnold, treasurer.

2:00 p.m.—Illustrations of different policy contracts and answers to questions in the query box.

7:30 p.m.—Visit to Electric Park.

Thursday

9:30 a.m.—Address, "Evolution of Policy Forms and Provisions," by President J. B. Reynolds.

General discussion.

2:00 p.m.—Answers to query box and general suggestions for good of the order.

4:00 p.m.—Leave hotel for automobile trip of inspection of the park and boulevard systems.

7:00 p.m.—Members of the convention, officers, directors and home office employes will take dinner together at the Baltimore Hotel, private dining room, second floor.

Chat with Agents

Philadelphia, November, 1896.

Whatever our political views may be, there must be general satisfaction that the election is over, and that we know what the financial policy of the government will be for four years at least, and that we can again turn our attention to business. Many promises were made to agents, the fulfillment of which depended upon the result of the election. It is to be hoped that agents will lose no time in reminding those who made them promises that the election is over. We had a satisfactory illustration of promptness and good faith in this line, in the matter of renting offices. A large manufacturing company promised that if McKinley were elected they would take a suite of offices. Our vice-president, upon receiving reliable information as to the result of the election, reminded the company by telephone of its promise. The reply came, "Prepare the lease." If you have not already taken advantage of promises made, lose no more time in doing so.

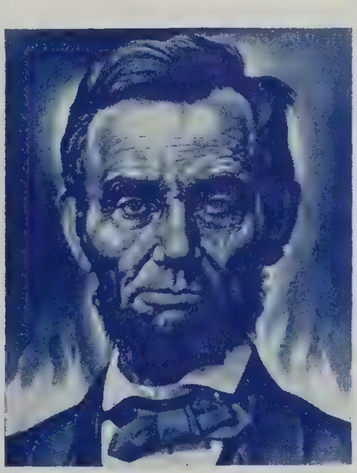
* * *

NOTES.—Insurance is a cash transaction. Losses cannot be paid in notes, but owing to the business depression managers find it at times to their interest to accept notes in payment of premiums; but we beg to remind them that

Congratulations

The Lincoln National Life Insurance Company joins the National Underwriter in looking backward with pride forward with confidence.

Geared to help its field men.



The LINCOLN NATIONAL LIFE INSURANCE COMPANY
Fort Wayne 1, Indiana

Its Name Indicates Its Character

The Power of Settlement Options

Flexibility increases utility value—
Spendthrift trust protection prevents hardship

BY O. F. GRAHAME

WHEN an insurance agent sits down with a prospect or policyholder and works out a settlement agreement, he is dealing with a facility that can do an immense amount of good and he is also dealing with a facility that can result, in case of mishandling or misunderstanding, in great unhappiness. The prospect or policyholder is likely to be largely guided by the agent's recommendations if he has confidence in him. An agent, therefore, must assume this responsibility with seriousness and must acquire the human and technical knowledge necessary to counsel on family property affairs.

Some day that policy will become a claim, and the vision and genius of the agent and the life insurance institution will be put to the test. If there is then a deferred college fund and no income for the minor beneficiaries to live on until they reach college age, the agent and the industry will be severely criticized, and rightly so. If a child is ready for college and the insurance money is tied up until age 35, then there will also be much dissatisfaction.

The great utility of options of settlement should never be forgotten. Likewise, it must not be forgotten that in simple, intelligent programming lies their great facility and comparative freedom from possible misfiring.

THE general practice of options of settlement as part of the policy contract was greatly increased as a result of the Armstrong investigation in New York in 1905, which adopted a standard provision type of policy including options of settlement. This standard form of policy contained three forms of settlement options. The first was payment of an annuity equal to a certain percentage of the proceeds of the policy, which usually was 3%, or in other words simply a guarantee of interest during the lifetime of the beneficiary. The second one was that specified amounts of installments could be obtained over a series of years, and the table for this was inserted in the policy. The third one was that there should be annual installments for a fixed period of 20 years and payment for life thereafter if the beneficiary survived. This was a guarantee of 20 years, with continuation during the lifetime of the beneficiary after that time. Although this type of statute was later repealed, the options set up have pretty generally prevailed to this day. A slight variation of the second one has been that a certain amount may be taken out of the proceeds of the policy each year until the proceeds and interest are exhausted. Some companies have other variations and have increased the number of options, such variations turning usually on withdrawal privileges and refund rights.

Chat with Agents

notes must not be accepted for an amount less than $10 under any circumstances or pretext whatever. — From Fidelity Mutual Life house organ, 1896.

It will thus be observed that the basic idea of a settlement agreement involves the simple proposition of paying out the principal of insurance proceeds and the interest thereon over a certain period of time or during the life of designated beneficiaries. But human affairs have a way of becoming complicated. Contingencies must be provided for. And in meeting contingencies, different options seem best to fit the different contingencies. The beloved beneficiary might re-marry and this may suggest an alternative plan. The minor children may be of various ages at the time of the death of the father, and this presents not only a problem of money planning but also a problem of how to administer the arrangement should a guardian or trustee be involved. Then of course a beneficiary may die before or after taking, and this requires further detailed provisions.

Policyholders like testators have a natural desire to control the disposition of money and property far into the future, and so we are confronted with the rule against perpetuities and restraints on alienation. To prevent too much complication and deferment, the companies have usually adopted rules to bring settlement programs to a conclusion within a reasonable time and in a reasonable manner.

Then, it is a fact that, regardless of how inexperienced with money matters a widow may be, she can sometimes do very well for herself if she has a small sum of money payable at once to her.

There is such a thing as trusteeing and spendthrifting the American economic system to an extreme, which is at least unfair to the enterprising beneficiary.

This balance between the great facility of settlement agreements and resisting unnecessary use is something that must be constantly kept in mind and it cannot be over-emphasized. The lack of trust facilities in many small communities means that the settlement arrangements provided by the life companies constitute the only economic and social service for the planned distribution of funds in the community. By making proper arrangements for shifting over, unnecessary administration of estates is avoided. The settlement program is closely related to the pension idea at retirement or to a security annuity for the beneficiary after the policyholder's death. For the inexperienced, spendthrift trust protection can be given, and the thoughtful policyholder can provide emergency funds, educational funds, and special funds, to look after his family; and this motive is one of the real driving forces in our American economic system and history. But a bad arrangement accomplishes none of these purposes and gives the agent and the life insurance industry a bad name, and deprives beneficiaries of money they should receive directly or at better devised times than those in a poor settlement arrangement. The result may be untold hardship, which the policyholder would have made every effort to avoid had he foreseen the future circumstances of his family.

Orville F. Grahame, general counsel for the Massachusetts Protective Companies, is an authority on settlement agreements. He was an attorney of record in the case of Latterman vs. Guardian Life which involved the right of an infant through his guardian to elect options; and he assisted in the famous case of Mutual Benefit Life vs. Ellis which has been widely followed in establishing contracts for the benefit of third persons. The Minnesota supreme court cited and followed Mr. Grahame's "Insurance Trust as Non-Testamentary Disposition" in the matter of the Sopers estate.

O. F. Grahame

With the cooperation of Herbert Brownell, Jr., then in the New York assembly and subsequently Republican national chairman, he drafted and secured enactment of the statute exempting disability benefits from creditors, which has been widely followed in other states. He is a member of the bars of Iowa, New York and Massachusetts.

He is a member of the insurance status committee of the American Bar Association; of the Cox-Dechert committee of life companies to consider the legal effects of the S.E.U.A. decision; of the standard provisions and legislative committees of the Health & Accident Underwriters Conference. For many years he has been prominent in the Republican organization. When a resident of New York, he held the vice-presidency of the New York City Young Republican Club and chairmanship of the Republican county speakers committee.

THE growth of settlement programs has been one of the outstanding features of American life insurance history in the past half-century. In 1918 the present value of amounts held under supplementary contracts not involving life contingencies by companies doing business in New York, excluding Canadian companies, was $52,000,000. In 1928 this had gone to $195,200,000. In 1938, to $1,161,000,000. In 1944, to $2,294,530,000. The amount of life insurance not yet payable under which settlement agreements have been arranged is of course many times this amount.

One of the reasons for this great development was of course the guaranteed interest rate, usually 3 or 3½% contained in options in policies issued until recently and where the beneficiary herself could elect the arrangement. This has meant an adverse financial selection against the companies. Also, the beneficiary under the annuity option could get a more advantageous annuity than she could go out and purchase at current rates. This has meant an adverse financial and mortality selection. However, the biggest reason for an increase in the use of settlement options has been the part played by the agent in selling programmed insurance. This has been handled through the low pressure sales program where a prospect is made to realize how inadequate his arrangements are for his family when his insurance is converted to an interest, installment or annuity basis. The result of this sales procedure, it is believed, has been to increase the average size policy and the sale of insurance. Since a large amount of insurance is required for a complete program, the construction of an insurance estate is usually aimed to meet the minimum needs of the prospective purchaser.

The interest factor under options, like any guaranteed interest, has been a problem to the companies in the past decade in view of the low investment return. The requirement that the amounts payable must be set forth in the policy means that a guaranteed interest rate has to be used when options are contained in the policy. The mutual companies make provision for payment of excess interest, if any, and it would be practical if the whole settlement arrangement could be put on an "interest as earned" basis.

THERE has been legislation in over half the states giving spendthrift trust protection to the parties provided for in settlement agreements. Usually to get the advantage of such protection, it must be written into the settlement plan. Several states have upheld this protection without a statute. It had been thought that the disadvantages of non-assignability and non-commutation must be taken by a beneficiary if she was to get the advantages of creditor exemption. However, the New York court of appeals in the case of Genessee Valley Trust Company vs. Glazier held last year that the beneficiary even though she could withdraw the funds was entitled to creditor exemption.

The New York court of appeals has in fact been very favorable to settlement agreements, having also held them not subject to restraints on alienation in Holmes vs. John Hancock Life (1942). The same court in 1939 in Latterman vs. Guardian Life permitted an infant through his guardian to elect the options despite a statute covering legal investments for infants and declared the settlement options to have a very substantial property value. In Crossman vs. Rauch (1934), the court of appeals had early held to a liberal protective policy on settlement agreements under a provision before them which was rather loosely drawn. Other state courts have been equally solicitous.

The beneficiary elections received great protection when the provision for payment over on the death of a beneficiary having full withdrawal privileges was held not to violate the statute of wills and was declared to be a valid contract for the benefit of a third person. This was so ruled in 1941 by the second circuit court of appeals, with certiorari denied by the U. S. Supreme Court, in Mutual Benefit Life vs. Ellis. The courts have declared also the interest factor in settlement agreements payable in installments to be exempt from the federal income tax law as money payable at death, regardless of whether the beneficiary or insured elects the option.

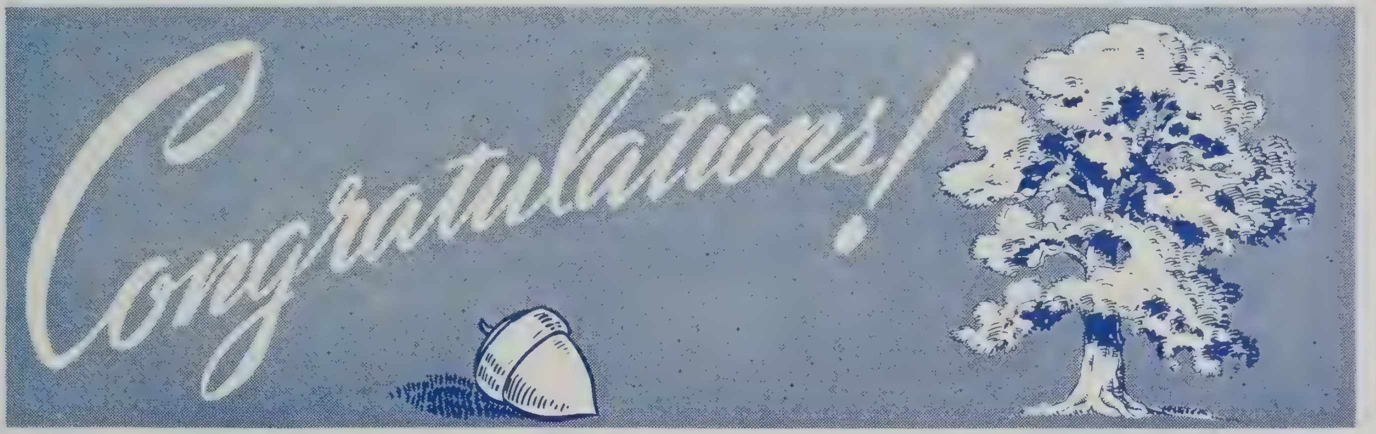
THERE have been several cases which indicate the potential dynamite contained in settlement agreements.

In a New York case, a doctor purchased a $20,000 policy and provided for interest payments to his four daughters until age 30, when each would receive her share in a lump sum. The family was then in good financial circumstances. Subsequently a fifth daughter was born, and before any of the children reached 18 the insured died leaving negligible assets other than his insurance. Obviously the family needed the insurance money and the mother petitioned the court as general guardian for a part of the principal, but the court held it could not change the provisions of a binding contract. The settlement program undoubtedly was good when made, but with the changed circumstances the program should have been changed.

In a Kentucky case, $20,000 of insurance was programmed, with $150 a year to each of three children under one policy, and with a life income to the wife under another policy, with the income to continue in case of her death to each of the three children until they should reach 35, when the principal would be paid to them. The insured died insolvent. His widow was ill. The family got further into debt and the eldest daughter was ready for college. The widow petitioned the court as first beneficiary and guardian for money to pay off recent debts and for an increased income for the children. The court denied the request, saying that it must look to the intentions of the insured as expressed in the agreement and declared the rights of the heirs or devisees of the last survivor required protection, which persons could not now be determined.

There are of course many, many cases in the files of every life company in this country where an intelligent program has been made and where the monthly checks are sustaining the family, educating the children, meeting the monthly mortgage payments, and providing old-age securtiy.

It will thus be seen from the above that the story of settlement agreements is being written in the daily economic life of the American people. It is also being written in the financial pages and actuarial pages of the annual statements of the companies, and in the decisions of our highest courts. Some of these court decisions have not been as favorable to insurance as we would like, because they tell the story of poorly arranged settlement agreements which the courts have reluctantly had to uphold as written. The story is being further written by the agent as he goes from house to house with his rate book counselling, programming, and arranging. This story is being recorded in the settlement agreement departments of every company. The technically trained and professional agent is rendering an invaluable social, economic and family service and is thus meeting responsibilities which the inherent power of settlement agreements places upon him.


Congratulations!

*and **BEST WISHES** to a man who has made a real contribution to the great growth of life insurance in the last 50 years.*

C. M. CARTWRIGHT has been one of the country's leaders in serving and supporting the great Institution of Life Insurance which has had such a beneficial influence on our country's economic and financial progress.

He has watched the Institution of Life Insurance turn increasingly to the LIFE UNDERWRITERS of AMERICA in its efforts to bring about a better policyholder service as well as increased public acceptance of Life Insurance.

THESE CONGRATULATIONS ARE EXTENDED FROM A COMPANY, WHICH HAS SERVED 50 YEARS, TO A MAN, WHO HAS SERVED 50 YEARS.

Central Life Assurance Society (Mutual)
Des Moines, Iowa

The Sales Idea of 50 Years

Insurance as income still is a magic formula to big volume, according to Frank Pennell

BY ROBERT B. MITCHELL

MANY of the last half-century's changes in the life insurance business have been a matter of degree rather than of basic concept but from the personal producer's point of view the biggest change, by a wide margin, has been the origin and development of the monthly income idea, according to Frank W. Pennell, State Mutual Life, New York City, one of the most consistently successful salesmen the business has ever had.

Most changes are largely a matter of appearance, like the abandoning of whiskers as a badge of office among company presidents. But the wide popularization of monthly income, both as protection against dying too soon and living too long, was a basic innovation of the most profound importance to the public, to the entire business of life insurance and particularly to the agent, Mr. Pennell believes. It has changed the role of life insurance from a temporary buffer against emergency to a continuing substitute for lost earning power.

"WHERE would we, the agents, be today if we were still selling as agents did 50 years ago or even up to about 1920, which was when the monthly income idea really began to take hold?" asked Mr. Pennell.

"In those days, the agent who sold $250,000 a year was looked up to as a big producer. The policyholder who had a few thousands of life insurance sincerely regarded himself as worth more dead than alive and usually laughed off any attempts to build up his insurance beyond that figure. Visualizing his wife having $4,000 or $5,000 fall into her lap, he regarded her as wallowing in wealth. It rarely occurred to him that this would only last a limited time, no matter how carefully expended.

"Lacking the monthly income concept, the agent had little chance of selling additional insurance to policyholders who had what we would now think of as a very nominal amount of insurance. He sold policies rather than programs. In the absence of a real motivating idea like a well rounded insurance program, many agents resorted to high pressure, backing up the hearse, and other tactics that have been pretty much supplanted today. As a result, though by no means all agents deserved it, life insurance agents generally were looked on as nuisances and classed with book agents in the art of getting a foot in the door and fast-talking the prospect until he gave in. The result, of course, was that having been hypnotized into buying, the policyholder was frequently not very sure why he had bought and hence was prone to lapse his policy if it became inconvenient to pay the premium."

The monthly income concept, Mr. Pennell points out, by emphasizing income rather than lump sum, changed the whole basis of life insurance selling. The change didn't occur overnight but considering its vast importance it progressed very rapidly. For espousing the monthly income gospel and going forth to spread it with evangelical fervor throughout the country great credit is due to J. Elliott Hall, then a Mutual Benefit agent and later for many years general agent in New York City for Penn Mutual Life, Mr. Pennell says.

With his blazing enthusiasm for this new life insurance concept, Mr. Hall used it in his own selling and made talks before agents of many companies on selling life insurance based on the optional modes of settlement. Not everybody took to the new idea and there are agents today who make little use of programming. But there were enough of Mr. Hall's listeners who were converted at least to the extent of trying out the innovation and found it worked so well that they used it wherever they could.

Not only did the monthly income plan raise the sights of the insurance buying public and permit agents to sell far larger amounts of insurance but it helped to keep business in force. The man who

Hail to the youngster!

Sincere congratulations to National Underwriter on its completion of 50 successful and expanding 1897 1947 years of publication!

At Union Mutual, we, in UM 99 our 99th year, believe that anniversaries are of two-fold value. They afford a special occasion for self-appraisal—for taking stock of *past* accomplishments. And they provide a springboard FUTURE for determination of *future* performance.

Our company had its beginning as a pioneer in the life insurance field in July, 1848. Our determination to grow has always been and will continue to be one of our guiding principles. Equally important to us is that such growth be, not spectacular, but *sound*.

UNION MUTUAL
Life Insurance Company
PORTLAND MAINE HOME OFFICE
Rolland E. Irish, *President*
Harland L. Knight, *Agency Vice-President*
LIFE · SICKNESS · ACCIDENT · GROUP

bought insurance as part of a plan was loath to drop any of his policies, for they were all integrated into a program on which his family's welfare would depend in case he himself died. This greater persistency meant not only larger renewal commissions but a greater chance of their continuing.

But there have been far more than financial benefits, important as these have been, Mr. Pennell points out. First among these is the heightened prestige which the agent now enjoys. Programming has enabled those agents wishing to graduate from the status of policy sellers to become counsellors to their clients on estate matters and even act in the role of executor after the client's death.

WITH the spread of the monthly income idea, life insurance became more a matter of talking with a prospect, uncovering his insurance needs and presenting a program designed to fulfill those needs. There was less necessity for the agent to exert high pressure, or indulge in other obnoxious forms of selling. The business consequently became more attractive to the type of agent who recoiled instinctively from high pressure selling and the "policy" concept of merchandising but who had the necessary intelligence to handle programming, the personality to cause prospects to confide their personal situations to him, and yet enough sales ability to make a satisfactory or better production record.

The professional concept of life insurance selling can very largely be attributed to the development of the monthly income idea and all that goes with it, according to Mr. Pennell. Without the income approach the C.L.U. movement would have had little reason for getting started. Programming, almost as a corollary, brought with it a professional outlook. Of course, in the old days, the agent had a degree of ethical obligation toward his policyholders but it didn't go much beyond making sure that the policy was in a solvent company and that the prospect didn't buy a 20-pay life contract under the impression that it was a 20-year endowment.

Selling insurance on an income basis, however, was something else. The agent had to know all about his prospect's situation and enough about the various types of coverage and what could be done with them so as to be able to give intelligent advice. An irresponsible agent could do his policyholders plenty of damage by poor advice.

Another result of the growth of the income concept has been the development of the various special types of policies, particularly the family income contracts, designed to facilitate the application of the income idea. These were logical outgrowths of the fundamental principle of using proceeds for income rather than paying them in a lump sum.

As an indication of the way that the income idea has taken hold, Mr. Pennell cited the amount of money held by life companies to be paid out in the future as income to beneficiaries and annuitants. At the beginning of last year companies licensed in New York held, as reserves on supplementary contracts not involving life contingencies, $2,558,782,004, an increase of $279,447,000 over the figure a year earlier and doubtless the figure for 1946 will show at least as great an increase. Annuity reserves, including group annuities, were $5,613,388,374 at the beginning of 1946, an increase during the year of $645,057,000.

IN spite of the revolutionary change which the monthly income concept has brought to the life insurance business, Mr. Pennell emphasizes the unchanging character of the qualities needed for success in life insurance selling. It is true that the day of the professional attitude in selling life insurance has arrived but the agent to be successful must still be a salesman.

"The rules never change," said Mr. Pennell. "The bulk of the life insurance business is not written by the million dollar a year men but by the consistent producers of modest amounts. So simple are these rules and so few in number that I can't understand why anyone should fail in this business, but fail they do, because as the old saying goes, 'Rules are made to be broken.'"

One of these basic rules and perhaps the most important is hard work, in which the agent himself has to develop the work habit and control his own time. Early in his selling career Mr. Pennell found the need of some sort of standard against which to measure his day-by-day performance. He evolved the "Quota Book," which he still uses. With this he breaks down the year's projected accomplishments to a weekly basis and each week has to stand on its own bottom.

Another of Mr. Pennell's rules is "Never let the sun go down without having made an effort to do something constructive" — either meeting new people, trying to make a sale, getting new prospects, or giving service to a policyholder or prospect. The conscientious, ambitious agent who keeps this rule in mind will find that playing hooky hurts his conscience so much that he will not do it.

Intensive work in circumscribed areas is another unchanging rule for success in selling life insurance, Mr. Pennell says. This rule is easy enough to follow in small communities and it has many advantages. The agent, through just talking with the people he knows, can find out what is going on and learn much that is useful in his work.

The same principle can be ap-

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The NATIONAL UNDERWRITER

On its Completion of

Fifty Years of

Forthright Service to

The Institution of Life

Insurance

GREAT SOUTHERN Life INSURANCE COMPANY
HOME OFFICE HOUSTON 1, TEXAS

THE
WISCONSIN LIFE
INSURANCE COMPANY
MADISON 3, WIS.

FINANCIAL STATEMENT

December 31, 1946

ASSETS		Per Cent of Assets
Cash	$ 248,982.60	2.5%
Bonds*		
United States Government	2,749,613.00	27.5
Canadian Government (Dominion, Provinces, Municipalities)	704,136.00	7.0
United States Corporations (Public Utility, Railroad, Industrial)	2,888,633.00	29.0
Canadian Corporations	47,876.00	.5
Preferred and Common Stocks (U.S.)*	269,920.00	2.7
Federal Saving and Loan Association Shares (Fully insured by Federal Savings and Loan Insurance Corporation)	20,000.00	.2
First Mortgage Loans	1,911,161.58	19.1
Loans to Policyowners (No loan exceeds cash value of policy)	533,827.27	5.4
Real Estate		
Home Office Building	270,000.00	2.7
Real Estate Sold on Land Contracts	115,556.79	1.2
Other Real Estate	49,801.00	.5
Net Uncollected and Deferred Premiums (For which reserve liability has been set up)	116,618.57	1.2
Interest Accrued on Investments	46,448.85	.5
All Other Assets	9,639.19	.1
Gross Assets	$9,982,213.85	100.1
Less Assets Not Included in Surplus	13,141.11	.1
TOTAL ADMITTED ASSETS	$9,969,072.74	100.0%

*No bonds are in default as to principal or interest and no stocks have dividend arrears. Values of both bonds and stocks are computed even more conservatively than required by the National Association of Insurance Commissioners. Total market value of securities is more than $125,000 higher than the values shown in this statement.

LIABILITIES	
Legal Reserves on all Policies, Annuities, and Supplementary Contracts in Force	$8,424,951.53
Dividends Apportioned to Policyowners, Including Dividends Left on Deposit	739,223.15
Reserve for Unreported and Incomplete Claims	28,162.00
Reserve for Taxes	12,819.99
Reserve for Employees' and Agents' Pensions (Employees', Agents' and Company's Contributions)	65,000.00
Premiums and Interest Paid in Advance	239,857.15
Accounts Payable and Accrued Expenses	11,110.55
Suspense Accounts (Premiums deposited for policies not yet issued, advance payments by mortgagors for real estate taxes, etc.	30,956.85
Reserve for Market Fluctuation on Stocks	10,000.00
TOTAL	$9,562,081.22
Excess Security to Policyowners (Surplus set aside as a Contingency Reserve in addition to the legal reserve requirements)	406,991.52
TOTAL RESERVES, LIABILITIES AND SURPLUS	$9,969,072.74

AUDITOR'S CERTIFICATE January 25, 1947

We have examined the accounts of The Wisconsin Life Insurance Company as of December 31, 1946, and

WE HEREBY CERTIFY that the accompanying statement is in accordance with the records, and, in our opinion, fairly reflects the financial condition of the Company as of December 31, 1946.

(Signed) KELLOGG, HOUGHTON & TAPLICK
Certified Public Accountants

PAID POLICYOWNERS AND BENEFICIARIES SINCE ORGANIZATION MORE THAN NINE MILLION TWO HUNDRED THOUSAND DOLLARS.

Over 14% Increase in Insurance in Force During 1946. Agency Openings in Wisconsin and Minnesota.

The Wisconsin Life Insurance Company

30 West Mifflin Street **Madison 3, Wis.**

plied even in the large cities. A big business or financial institution is a city in itself. An agent who gets an entree there can learn of promotions, new babies, marriages, and the like, just as if he were on Main Street and before his competitor has any inkling of them. A high percentage of Mr. Pennell's business comes from three or four institutions.

F. W. Pennell

Frank W. Pennell, State Mutual Life, New York City, was formerly connected with the news department of THE NATIONAL UNDERWRITER. At the University of Michigan, from which he graduated in 1912 and where he was managing editor of the "Michigan Daily," he became acquainted with A. J. Wohlgemuth, now president of the Rough Notes Company, who was a brother of E. J. Wohlgemuth, president and founder of The National Underwriter Company, also a University of Michigan man. Mr. Wohlgemuth employed Mr. Pennell as a reporter and stationed him at the Cincinnati office. This was after six months of daily paper experience on the Bradford (Pa.) "Era." A couple of years later he was transferred to New York, where he was the company's sole editorial and business representative.

Mr. Pennell made quite an impression with his story of the first convention he reported for THE NATIONAL UNDERWRITER, which was the annual agency meeting of Ohio Farmers of Leroy, Ohio. He was a colorful writer with a fine vocabulary which he employed to good advantage. Though he later toned down the exuberance of his style he never got away from employing distinctive and unusual words and phrases.

On one occasion he went to Minneapolis to cover the National Association of Life Underwriters annual meeting. W. S. Crawford, now insurance editor of the "Journal of Commerce," New York, was THE NATIONAL UNDERWRITER editor in charge of covering the meeting. He was hard at work grinding out on his typewriter the running story. Mr. Pennell, however, was sitting motionless at his typewriter, looking out the window in a dreamy way. He was supposed to write feature material about convention sidelights, such as entertainment, and other material of a colorful nature—a type of copy not so easy to turn out as straight news material.

Seeing that only a few more minutes remained before the deadline, Mr. Crawford asked Mr. Pennell what he was doing. The answer was, "I am thinking." Mr. Crawford yelled at him, "We do not want any thinking done here. You've done too much already. For heaven's sake write your stuff and get to work. Stop thinking immediately!"

Mr. Pennell left the New York office of THE NATIONAL UNDERWRITER to head the literary department, as it was then called, of the Mutual Life home office. Then he went into selling with Mutual Benefit Life in New York City, under L. A. Cerf, Sr., one of the greatest developers of life insurance salesmen the business has ever had. Mr. Pennell quickly became a success, reaching the half-million a year level in production his first year—1919—which in those days was a whale of a lot of business.

His production gradually increased, reaching $3,100,000 in 1928, of which $1,377,250 was in State Mutual, which he joined in 1928 as New York City general agent. For the next 10 years, while he was general agent, his personal production was naturally somewhat less, though it did not drop below $240,500, and in several years exceeded the million mark.

When he gave up general agency work, Mr. Pennell budgeted his time and effort to give himself more leisure, but even so he has had a fine production record which in 1946 was $601,144. During his entire selling career his average production has been $726,090 a year, for a total volume since 1919 of more than $20 million. During his 10 years as a general agent a production of $46 million was achieved.

LOW pressure selling is another rule for success that Mr. Pennell believes in and follows. He believes that "the most effective deadly form of high-pressure selling is the low-pressure presentation of a strongly motivating idea"—giving the prospect the idea that he is buying even though he is actually being sold. Such a buyer becomes a permanent customer and one that can be relied on to get other buyers.

A rule which takes a lot of resolution to follow but which pays off profitably, Mr. Pennell says, is to eliminate rigorously those prospects whom you cannot see and deal with on a friendly basis that is likely to lead to a sale. As a former newspaper man, Mr. Pennell knows the value of information and that is what he looks for above all else in determining whether a name he has obtained should be followed up or discarded. He spends 80% of his prospecting time in eliminating names of "suspects" which do not come up to his standards for prospects. He can do better with four calls on people whom he has selectively qualified through detailed advance information than 30 calls on those that do not meet his standards.

Without any false modesty, Mr. Pennell considers himself a rather timid man. Those who have seen him in action would dispute this, but it is true to the extent that he feels uncomfortable talking with people unless he considers them congenial. If they are, as he puts it, "my kind of people" then his timidity doesn't bother him. He wants to call on people he will probably like and who will probably like him.

Other precepts which Mr. Pennell believes in and follows are to recognize that the little fellow of today is the big man of tomorrow; to program one's own insurance and carry plenty of it; to send out birthday letters, Christmas greetings, personal house organs, calendars, and other direct-mail advertising; to avoid complicated charts in selling and carry along as little paraphernalia as possible; and to be sincerely interested in his clients' problems even though they have nothing to do with insurance.

On June 13, 1859, before Equitable Society began business, Henry B. Hyde, the founder, executed an assignment of a $3,000 life insurance policy to a prominent stationer in New York to protect a bill for office supplies which were needed in order to launch that company.

Evolution of money economy

Shift from rural to urban living and to reliance on dollars has brought huge increase in life insurance volume

BY A. J. McANDLESS

TWENTY-FIVE years ago, at the end of 1921, the life insurance business had recently entered upon a period of tremendous growth which has continued, with a single modest interruption in the depression of the early thirties, to this day. At the close of 1921 the life companies of America had almost $8 billion of admitted assets, a figure which has since grown to $48 billion, a six-fold increase. In that period, life insurance in force has grown from $46 billion (less than the present admitted assets of the companies) to approximately $174 billion today, or nearly four-fold. New insurance written in 1921 was $5.8 billion, compared with $23.5 billion in 1946, which is in excess of 400%. All of this has taken place while the population of the country was increasing only 30%.

Such are the statistical bare bones on which hang a tremendous story. In what set of facts or circumstances does the explanation of this story lie? It cannot lie in the circumstances that life insurance in 1921 was a new industry, like the automobile industry a decade earlier, for example, or the radio industry a little later. In 1921 life insurance was already a very old and well established business in this country.

Nor is the explanation to be found in any substantial shrinkage in the value of the currency, on account of which the real significance of a given dollar volume of life insurance would be lessened. In May, 1921, the cost of living index of the Bureau of Labor Statistics stood at 126.6, down from a high point of 149.4 in June, 1920. In May, 1946, it was 131.5 and is now no doubt considerably higher. However, just as during and following World War I we had a price upsurge, followed, in that case, by a rapid drop, so recently we have experienced a rather sharp rise, with many signs already apparent that a recession in prices is either about to take place or is already under way. One may argue, of course, that the price level finally to emerge after World War II will be modestly above the prewar level, although only time can prove this. Certainly no significant part of the tremendous growth in life insurance which has taken place during the past 25 years can be explained away as an offset to a decline in the value of money.

Where then does the explanation lie? I believe it is to be found in two directions. Our economy and the manner of life of our people has changed in such a way as to create a much greater relative need of life insurance protection. Also our people have had the wherewithal to finance that need. For this phase of the matter, we in the business can take little credit. However we can, I believe, take credit for the second part of the explanation, which lies in the manner in which the industry, both in the field and in the home offices, has responded to meet the need which has arisen; how it has vastly enlarged the scope of the service that it is in a position to render.

BACK in the 1840s, when the first old line life insurance companies were being established in the eastern part of this country, our total population was about 20 million, of whom only about two million were classed as urban dwellers. We were then largely a nation living on the soil or in very small communities close to the soil, and the typical rural family was a highly self sufficient unit. It owned and, in fact, largely created with its own hands the tools and equipment by which it lived. This was not primarily a money economy, and old age security was provided largely by the farm home. In such a family group, working together as a production unit, the death of one member did not necessarily threaten economic disaster.

Even such industry as then existed, such as the local grist mill or saw mill, was usually locally owned and was but an extension of the prevailing rural economy. Under such circumstances the

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CONGRATULATIONS

as we now do to The NATIONAL UNDERWRITER on the occasion of its Golden Anniversary!

There's Merit—and Worth—and evidence of Service involved in attaining to 50 years of age.

Here's to you, National Underwriter, and may the next 50 years be as successful for you.

P. S.—And now we don't know how to say it without being immodest and sneaking in on the spotlight a bit, but you'll notice we, ourselves, know the satisfaction of accomplishing a half century of Service!

THE Dominion Life ASSURANCE COMPANY
Since 1889
HEAD OFFICE: WATERLOO, ONTARIO

DETROIT	LANSING	PITTSBURGH
F. W. Simpson	C. B. Dibble	J. R. King
Branch Manager	Branch Manager	Branch Manager
1766 Penobscot Bldg.	800 Olds Tower	808-9 Park Bldg.

IN ADDITION TO THESE CITIES IN THE UNITED STATES, WE HAVE BRANCHES IN ALL PRINCIPAL CITIES IN CANADA, IN JAMAICA, B. W. I., NEWFOUNDLAND AND ALASKA.

THE HOME OF COMPLETE PROTECTION
KANSAS CITY, MO
Business Men's Assurance Co.
LIFE ACCIDENT HEALTH ALL-WAYS
HOSPITALIZATION GROUP REINSURANCE

need for life insurance protection was a rather marginal thing as far as the vast majority of people was concerned.

This situation continued in gradually lessening degree for a long time, one might say at least into the present century. As recently as the census of 1900 over 60% of our population was classed as rural, and it was not until the census of 1920 that the majority of our people were recorded as urban. It is probably no coincidence that the really great expansion in life insurance sales began about this time. At the present time only about 21% of our people live on farms.

Coincidental with, but even more important than, this shift of people from farms to cities was the evolution of a money economy. Today the vast majority of city and town dwellers are wage and salary workers or professional people whose families are very largely dependent on current money incomes for a livelihood. Even people on farms have become vastly less self-sufficient and have become dependent upon an inflow of cash to provide the necessities and amenities of life, as well as the working tools of their calling.

Except for the farms, the means of production have become very largely collectively rather than individually owned. How many there are of our more prosperous citizens whose sole personal and direct investment in tools of production may consist of a fountain pen; and even if such pen is equipped with a ball point, it provides no basis for a continued livelihood for his family after the owner's passing.

Lastly, and this is a really essential factor in the situation, we have evolved in this country a high savings economy. Our national income is so high that we are normally able to put aside a significant proportion of that income after providing ourselves with a high standard of living; and, just as important, this national income is remarkably well distributed. Also, since we have become increasingly a nation of specialists, and since our tools of production have become larger and more complicated, people find increasing difficulty in wisely and safely investing their savings in those tools. No longer can the average man invest his savings, which in the last analysis represent the excess of his energies over those required for a mere livelihood, in a new barn or grist mill down on the creek. It is no longer as simple as that.

In this changed scene life insurance has found an almost perfect environment in which to operate. It has provided an improved alternative to the security formerly provided by the family farm. It has provided a channel through which the relatively high savings of our people can find investment in the tools and amenities by which we live. The opportunity presented has been magnificent, and this opportunity has been magnificently utilized by the life insurance business.

A. J. McAndless, Ft. Wayne, Indiana, president of Lincoln National Life, is one of the forthright executives of the country, a man of fine attainments who has grown rapidly in stature in his life insurance activities. He is a past president of the American Life Convention. He was born in 1890 in Michigan. His first insurance experience was with the Grange Life of Michigan. Later he was chosen actuary of Detroit Life. He became secretary of Lincoln National Life and subsequently in 1930 was elected vice-president. He was made first vice-president in 1934 and executive vice-president in 1936. In 1939 he was elected president, succeeding the late Arthur Hall. Mr. McAndless had actuarial experience which has helped him materially in his administrative duties.

A. J. McAndless

WITHIN the past 25 years the structure of life insurance has developed and grown to a tremendous extent. Some sections of this structure were already very well developed at the beginning of this period, and in these a long term growth and development have continued. Other important sections owe their existence almost entirely to events of these 25 years.

For example, within that period the history of group insurance, as we know it today, has been largely confined. Today there is about $28 billion of group insurance in force, an amount not very greatly short of the total ordinary business in force a quarter century ago, and almost as great as the amount of industrial insurance currently in force. Group insurance continues to expand and to increase its ramifications so as to give protection to large segments of our population who might otherwise be inadequately insured.

Nowhere in the business has progress been more spectacular and revolutionary than in the agency field. Twenty-five years ago the recruitment of field representatives was a very haphazard affair. Almost anyone could obtain an agent's contract from most companies without regard to his prospects for success and usefulness in the agency field. Under such circumstances an agent could fail with one company and go on to repeat that failure elsewhere, with resultant repeated losses to himself and to the business.

Today agents are carefully selected with an eye to their probable future success in their chosen field. Judgment must of course remain the main basis for such selection, but certain notable aids and checks to judgment have been developed, among these the aptitude index of the Life Insurance Sales Research Bureau.

And once a person has been selected, he is then subjected to a stiff course of training in not only the fundamentals, but also to a large share of the intricacies of the business. This is done with a view not only to increasing his personal monetary success but to developing his maximum usefulness to the insuring public. Steps in such a systematic training program usually include, first, a grounding in fundamentals, then a course in career underwriting to help the new agent best meet the needs of his clients, and finally, an advanced course in tax and business insurance. For those who would scale the heights, there is the rigorous course of training leading to the Chartered Life Underwriter degree, the holders of which without doubt must be accorded full professional status.

A quite recent development has been the establishment of courses in life insurance marketing in some of the leading universities, Purdue University in our own state of Indiana being, I believe, the pioneer in this field. Such training programs are almost entirely a development of the past 25 years, and their impact upon the quality of the service rendered by the field force has been revolutionary.

Within the last two and one-half decades great strides have been taken in the process of risk selection. The knowledge of the significance of medical and other impairments has been greatly expanded, and techniques have been developed for the extension of life insurance protection to lives formerly considered uninsurable. The insuring of lives with an expected mortality as high as 500% of standard has become a routine matter. I am proud of the contribution my own company has made in the extension of life insurance protection to persons formerly considered uninsurable.

A quarter century ago, in 1921, the numerical method of rating life insurance risks had just become established. The significance of overweight, blood pressure, and the various heart murmurs was already to a considerable extent a matter of record. However, since that date the use of the x-ray and the electrocardiograph in the classification of risks has been developed, and great strides have been taken in improving the standards of medical examination in the field.

Also during the last 25 years we have tried one or two noble experiments. We recall with some misgivings our precipitous entry into the field of income disability and our equally hasty retreat from that field with somewhat burned fingers.

IN OBSERVING the progress of the life insurance business over a period of years which composes the major part of a working life time, the last 15 of those years from a position of considerable advantage, one emerges with a high degree of assurance for the future of the business. Within that period one can look back on a highly varied train of circumstances. There were the glowing twenties when everything looked rosy. Growth was rapid, interest rates were high, and investment losses low. People wanted to entrust their money to us, and we felt pretty sure we knew what to do with it.

Then came the dark years of the depression. A tremendous premium was placed on liquidity, and it seemed that everybody wanted to take their money away from us at the very time we could least afford to let them have it. Those were trying times.

More recently we have experienced a combination of these two sets of circumstances. It seems that everybody again wants to entrust their money to us, but we are not quite so sure this time that we know exactly what to do with it.

The important thing, however, seems to me to be the fact that after all these changes in the circumstances affecting our business, people have a stronger and more abiding faith in the institution of life insurance than ever before. Surely if this were not true, we would not be writing this record volume of business.

Settlement Options

In 1896 State Mutual issued its first instalment policy. It was frankly an experiment and, in comparison with the multitudinous options which our contracts of the present day offer to insured and beneficiary, it was very crude. It provided that, in lieu of paying at once the face of the policy at its maturity, settlement could be made in 10, 15, 20, 25 or 30 annual installments. This guaranteed the beneficiary against loss of principal and gave an assured income which could be counted upon with certainty for a definite period, but it lacked elasticity.

In contrast to this single selection made usually many years before the time when it would come into effect, our present policies offer between 900 and 1,000 options, fixing settlements which will meet the needs of a beneficiary at any age and adapted to meet almost any conditions which may be expected to occur in a normal life.

So popular has this deferred settlement become during the last ten years that while the legal reserves held by the company on its life insurance and annuity policies have increased one-half, the funds left in trust with it for future payments to beneficiaries have multiplied four times. The supplemental contracts are handled by the company without charge. — State Mutual Life "Field Service."

With the Northern Life, the "3-in-1" Life, Accident and Health Company, entering additional territory, agency opportunities are now available in—

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For information write direct to Executive Vice President Irving Morgan at the Home Office of the Company.

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The Language of the Contract

Insurance policies were not foreordained but grew out of original thinking and argument

BY LEVERING CARTWRIGHT

SOME of the things that we take for granted about the insurance business and insurance contracts we may think were heaven-sent or foreordained, if we take the trouble to give any thought at all to why they are there.

One man who knows that a good many of these things are not of divine origin, but are the product of much original thinking and of battles and strategy and interesting personal situations to bring them about is Arthur W. Collins, chairman of the U. S. advisory board of Zurich, who is still at his office almost every day except for such periods as the present when he is visiting members of his family in California.

Mr. Collins came to this country in 1906 for Ocean Accident. He has always been intensely interested in contract terms and phraseology, and especially in endorsements. He has exerted a creative influence in this area since he possesses firm principles and manages language with uncommon ability.

ONE of the things that we take for granted and that is very largely the result of Mr. Collins' doing is the fact that in automobile collision insurance there is no maximum amount of insurance recovery stipulated. It came about somewhat in this way. In the earliest days of automobile insurance the collision cover was written on the basis of a stipulated value and the premium was a percentage of that value—usually 2%. The amount of insurance was reduced each year. The motorist was required to insure for 80% of the value, and the amount, therefore, went down each year. For instance, on a Winton car that cost new $5,000, there was $4,000 insurance the first year and the premium was $80. The second year the insurance was $3,000 and the premium $60, and the third year the premium went down to $40.

The collision experience was unfavorable and Mr. Collins, in looking for reasons and remedies, arrived at what was in those days a revolutionary conclusion that specifying an amount of insurance and relating the premium thereto for the collision line was unnecessary and illogical. He ascertained that total losses accounted for only one-eighth of 1% of collision claims. He reflected upon the fact that partial losses were just as numerous and just as costly for the older cars as for the new ones and that the indicated procedure was for insurers to keep their eyes on the money ball and say that the premium would be so much.

Just about the time Mr. Collins had arrived at this unorthodox answer, he accompanied A. Duncan Reid, who was then executive superintendent of Ocean Accident, to Philadelphia to attend a meeting on automobile insurance that General Accident had called.

Mr. Collins recalled that the top echelon of executives were seated at one end of the table and the technicians were at the other. Mr. Collins was seated next to Charles E. Ward, who handled the automobile business of General Accident. Mr. Collins outlined to his neighbor what he had in mind. He whispered his proposal to Mr. Ward and immediately won an enthusiastic recruit. Later in the meeting Mr. Ward announced that at the pleasure of the tycoons at the other end of the table, the men with the loaded brief cases at the lower end would like to be heard. Mr. Collins' proposal was thereupon put before the entire assemblage and quickly won its approval.

The decision was to appoint Mr. Collins of Ocean, Mr. Ward of General Accident, and Mr. Cameron of Philadelphia Casualty, as a committee to visit the other companies and get their approval. That meant principally to get the nod from Travelers and Aetna.

At Aetna the committee visited Vice-president J. S. Rowe and he quickly committed his company to the principle of a fixed premium for collision insurance. However, when he learned that the committee was to visit Travelers, he ex-

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pressed the greatest misgivings, saying that he was sure Travelers would never consent to such a radical departure.

However, the committee saw Vice-president W. G. Cowles of Travelers. He evinced much interest and phoned President Sylvester C. Dunham and the latter gave the committee an audience. Mr. Dunham said that Travelers believed in fixing a limit of liability in a policy because of the moral hazard, but that the Collins' proposal was very persuasive. He had the committee talk to Vice-president Louis N. Butler, who was later president of Travelers, and also to James Batterson, who was head of Travelers operations at New York. Those men all fell in line and the change was made. That was in 1910.

Mr. Collins recalled that soon after the change was made a broker visited him about automobile business and expressed shock when he learned of the new basis. "But how do you measure the premium," the broker asked.

"We don't measure collision premiums any more," Mr. Collins replied, "we just smell them."

ANOTHER innovation that Mr. Collins had a hand in bringing about was the practice of providing complete automobile protection under one policy document with the fire company assuming the physical damage liability and the casualty company the third party liability.

Such an arrangement was contemplated by Ocean Accident-Commercial Union. First came the task of harmonizing the viewpoints of the fire and the casualty departments. At that time Commercial Union's policy was set up with an entry for only one car, whereas Ocean Accident had space for insuring as many as four cars. Mr. Collins undertook to get Commercial Union to agree to use a four entry form, but the fire company objected to such a change. However, one day in the midst of a discussion on this point, a broker entered the room and on learning about the controversy expressed enthusiasm for the four entry plan and Commercial Union capitulated.

Then came the tussle with the insurance department. The state authorities at first turned thumbs down on the idea, saying that the policy would have to be so devised that it could be torn in two and still leave two complete policy contracts. However, the departments finally came around to giving approval to the proposal.

Shortly after coming to this country Mr. Collins was assigned the task of reviewing all of the liability policies of his company, and this task he approached with enthusiasm.

Mr. Collins had what was for those days an enlightened viewpoint. His theory was and is that the insurance company is getting a lot of money for a few words on a piece of paper and those words should be made as attractive as possible. He felt that it was a mistake to lean too heavily upon attorneys in defining the liability, as it is only natural for them to be extra legal and to insert provisions that would be embarrassing to the production end of the business whose job it was to go out and make the contract appetizing. He felt that window dressing was desirable and necessary.

At the time he was making his analysis of the liability contracts, a common provision was the so-called law and ordinance clause. This provided for exclusion of liability where accidents were caused by the violation of or non-observance of laws or ordinances affecting the safety of persons. There were all sorts of local ordinances that could be invoked to defeat recovery and by that time most of the insurers were erasing the clause by way of an endorsement when requested to do so by the agent or broker. Mr. Collins felt that this was a discriminatory practice and that the clause should be knocked out completely, and eventually his recommendation prevailed.

IN the early days of casualty insurance there were two principal lines—employers liability and personal accident insurance.

The growth of employers liability insurance in England dates from 1880 when the first attempt was made to modify by statute the common law of employers liability. The capital principle involved in that act was the modification of the fellow-servant rule.

In the United States the first employers liability law was enacted in Alabama in 1885 and Massachusetts followed in 1887. The American practice was largely the result of English precedent.

(It is interesting that Employers Liability was organized in London in 1880, which was the year that the first employers liability act was passed there, and that Employers Liability entered the United States in 1886, which was just a year after the first employers liability law was enacted in this country.)

The personal accident line seems to have developed around the fact that the hazards of railroad and steamboat travel were prominent in the minds of the public.

Employers liability and personal accident insurance had something of a common meeting ground in workmen's collective insurance, Mr. Collins recalled. Workmen's collective was a form of personal accident insurance on the payroll deduction basis. Injured employes were entitled usually to one-half wages for 13 weeks regardless of fault. Workmen's collective was written on either an occupational

The "Covered Wagon," famous trade-mark of the Springfield Fire and Marine Insurance Company, Springfield, Massachusetts (chartered 1849), familiar to thousands of agents and millions of property owners from Maine to California.

1899 THE GENERAL ACCIDENT, in its 48th year of service, has grown steadily to its present high standing through progressive underwriting, sound management, and an unexcelled agency organization.

1831 THE POTOMAC INSURANCE COMPANY, its fire affiliate, now 116 years old, provides the latest facilities in fire and allied lines available.

1947 Today, these two companies offer the most modern and complete insurance coverages to producers and buyers alike.

GENERAL ACCIDENT
FIRE AND LIFE
ASSURANCE
CORPORATION, LTD.

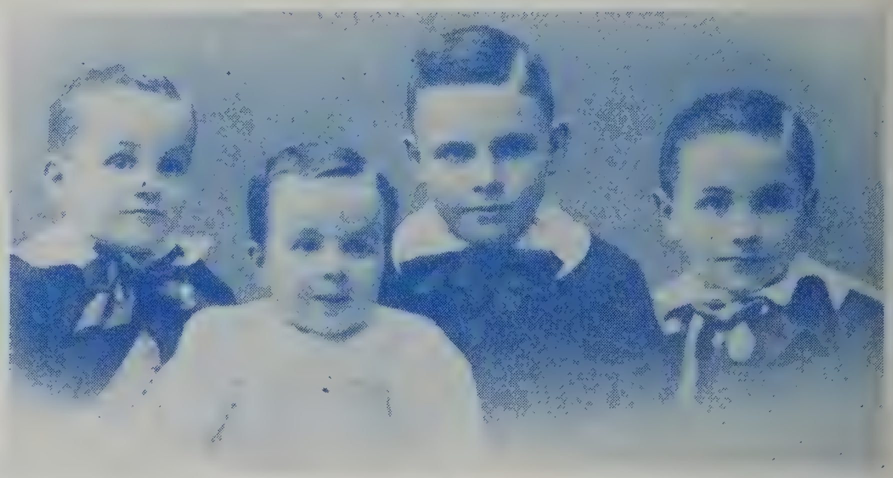
POTOMAC INSURANCE
COMPANY
OF THE DISTRICT
OF COLUMBIA

General Buildings *Philadelphia*

injury basis or on a 24-hour a day basis.

Mr. Collins remembers, with amusement, that there was an especially large demand for workmen's collective on the part of lumber companies in the south. They deducted from employes not only enough to cover the premium for workmen's collective, but also enough to pay the employer's liability insurance.

DETROIT AGENTS FIFTY YEARS APART



FOUR brothers, sons of a Detroit insurance man, J. A. Grow, had their picture taken by Sargent & Hughes, Detroit photographer, 50 years ago. The other day the same four brothers went to the successors of the same photographer, now known as D. D. Spellman, and had their pictures taken in exactly the same positions as they occupied a half century before.

All four boys grew up to be insurance men and all are actively engaged in the general insurance business in Detroit today. Several of them have sons who are licensed insurance men, carrying on the third generation of the insurance tradition. All served in the armed forces of their country. C. E. Freese 3d and J. Alfred Grow, Jr., are former presidents of the Michigan Association of Insurance Agents.

From left to right they are: Hobart B. Grow, who is associated with his half brother, Charles E. Freese, in the Freese Insurance Agency on West Grand boulevard; Russell W. Grow, who is a broker with the Detroit Insurance Agency in the Fisher building; Charles E. Freese, head of the agency which bears his name, and J. Alfred Grow, vice-president of Homer Warren & Company.

All the boys were born in Michigan and have always lived and been engaged in the insurance business in Detroit.

The oldest agency to represent Travelers since the company was founded is undoubtedly the firm of Peck, Barnard & Olmstead at Bristol, Connecticut, which began its association August 10, 1864—82 years ago. This is one of the old time agencies of the country.

Ohio Farmers has a number of agencies that have represented it continuously for many years, but the W. S. Pollock firm (1876) at Delaware, Ohio, seems to be the oldest. This is now operated under the Pollock name by Mildred Burrell and Walter Volk.

Fire Prevention, Then and Now

BY R. E. VERNOR

WHEN the first Ohio Underwriter flashed across the insurance scene 50 years ago, things were a bit different. In 1897 there was no radio or movie theatre—or scotch tape. Nobody talked of mechanical refrigeration, atomic energy, television, airliners, or streamlined trains. Automobiles were curiosities. Motive power for moving fire apparatus came from baled hay, and the shiny steam fire engine belching forth its sparks and smoke always drew an appreciative audience.

With the turn of the century, the inevitable fireworks began. In 1901, 1,700 buildings were burned in Jacksonville, Florida, with a reported loss of $11 million. Three years later $50 million more went up in smoke when 80 city blocks in the business section of Baltimore were destroyed. The San Francisco earthquake and fire took 28,000 more structures and some $350 million. In 1908, 3,500 buildings made a $12 million bonfire in Chelsea, Massachusetts, and in the same state, Salem lost 1,600 structures in 1914, with the losses around $14 million. Paris, Texas, suffered a loss of $11 million in 1916 with 1,440 buildings destroyed. In 1944, thirty city blocks in Astoria, Oregon, went up in $10 million worth of smoke. To add to the excitment, forest fires swept 15 townships in Minnesota in 1918 to the tune of $25 million and a loss of 559 lives.

Meanwhile, with the amazing development of expanding industry constantly increased by the contributions of science and invention, there came also a flood of fresh fire problems. Thousands of new industrial processes and materials, and the concentration of huge values subject to one fire, made it imperative that sound engineering advice be made available if fire-safety was to be reasonably possible.

BY 1926 our people had long since realized that something had to be done, and an army of organizations and individuals had come into the battle to prevent destruction by fire. Fire protection standards were being developed to combat every known hazard and special studies were made to cover every type of occupancy. Governmental agencies, including the fire departments, joined hands with insurance men, industrialists, and fire control experts to present a common front in the war on fire. Fire-resistive building had made great advances. Building codes were being revised. Fire department apparatus had become motorized. Salvage operations, long since sponsored by the insurance companies, were becoming a part of regular fire fighting routine in many fire departments. Communications, roads and water supplies had made great strides. More and more fire protection engineers were becoming available. Armour Institute of Technology, for example, had now been turning them out with special fire protection engineering degrees for some time. Many firms had become quite fire conscious and were installing private protection against fire, including a more general use of automatic sprinklers, special extinguishing and alarm devices, supervised central station watchmen service, and trained private fire brigades. Local chamber of commerce fire prevention committees were springing up all over the country to help educate the public in fire safety. Fire departments expanded their inspection and educational services. The possibilities of firemen's training reaching even to the smallest volunteer departments were just dawning. The ban on the indiscriminate use of fireworks got under way. Farm fire safety programs were taking shape. Incombustible construction became more common.

During the depression following World War I, fire losses fell to less than one-half of what they were in 1926. How much of that was due to deflated values, and how much was the result of the fire safety effort, is anybody's guess, but since then the loss curve has been steadily upward.

We face 1947 with the grim reality of another staggering peak in our national loss and with the memory of several ghastly hotel disasters painfully fresh. Does this mean that we have completely failed in our efforts? I think not, for the losses have to be considered in the light of inflated values and enormous increases in the number and size of properties exposed to fire. It is quite obvious that the picture would be very much worse if it were not for the continuous and devoted efforts of all who were engaged in fire pre-

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The national government makes a great contribution through the President's annual Fire Prevention Week proclamation, and through its rural fire prevention work in the Department of Agriculture, where it has also done extensive research in preventing and controlling dust explosions. Most people appreciate the conservation work of the United States Forest Service. Through the United States Department of Education and the Federal Board of Vocational Education a great impetus has been given to firemen's training. The United States Bureau of Standards is contributing substantially to fire protection knowledge. During the war much progress was made in protection and control techniques through the army, navy and coast guard.

Practically all of the states issue an annual governor's proclamation for Fire Prevention Week. State fire marshals provide varying inspection services, help in firemen's training, promote vigorous arson prosecution, and often provide a continuous program of public education. Many state universities now conduct courses in firemanship. Recently the University of Maryland dedicated a new $175,000 building to the training of firemen.

Fire fighting long ago.—From Home's "News From Home."

Organized in 1895, the National Fire Protection Association has grown to 11,000 members and some 60 committees concentrating on fire safety. For example, one of these committees sponsors the national electrical Code, a monumental task in itself. Millions of copies of a wide variety of publications are distributed annually, and the advice of the association is daily solicited from countless sources.

The National Fire Waste Council was created under the aegis of the United States Chamber of Commerce in 1922, and since then has stimulated hundreds of local chambers through its annual year around fire prevention contest, which has long since proven its effectiveness in helping to reduce losses in numerous local communities.

Over 35 national organizations and governmental bureaus are members of the council. For example, the National Safety Council gives considerable attention to fire-safety, as do the numerous local councils. These various member organizations reach into rural areas as well as elsewhere.

The contribution of the fire insurance business to the cause of fire-safety has been and is a tremendous one—too little appreciated by the public as yet.

VOLUMES could be written of the devoted contribution of the business during both the two world wars in which fire protection engineering services were freely rendered to the armed forces, both here and abroad. Competent inspection work was provided which saved countless losses by fire. In the last war through the National Bureau of Industrial Protection and the States War Inspection Service, thousands of war plants were carefully surveyed for fire dangers at no cost to the government, in the face of reduced insurrance personnel serving with the armed forces. These loyal Americans came from fire insurance companies, associations, laboratories, rating bureaus, agencies, and elsewhere. Their work was grim drudgery for months and seldom was the flag waved over them.

Today men from various positions in the fire insurance business serve in important capacities in the National Fire Protection Association and the National Fire Waste Council. Much solid fire safety accomplishment results from continuous contacts with property owners or operators in the normal course of conducting the business.

Underwriting associations provide expert engineering service which is constantly striving to im-

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The Camden Fire
Insurance Association

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SENDS BEST WISHES
to the editors and staff
on the occasion
of the
50th ANNIVERSARY YEAR
of the
National Underwriter

prove conditions in local properties.

Organized in 1866, the National Board long ago established a reputation for public service in fire safety. Its fire defense engineering surveys of hundreds of American cities, its statistical data, its building codes and other standards, its campaign to standardize fire hose couplings, its educational advertising, its literature on fire prevention, its legal advice and service in fire prevention matters, including arson, and the leadership of its representatives in national, state and local fire prevention movements, are a great tribute to the business which it represents.

Rating and inspection bureaus daily are giving sound advice on all phases of fire protection and fire prevention. The resulting constant improvement in public fire protection and building codes greatly lessens the danger of sweeping fires. Fire insurance rating itself encourages safer conditions in individual properties.

In the middle west, stock fire insurance company management, in 1922, created the fire prevention department of the Western Actuarial Bureau, which serves as a clearing house for the company field men's activities in fire prevention. The men are organized into state fire prevention associations, which, since 1922, have conducted 1,657 town inspection campaigns, as well as other types of fire prevention educational work, reaching millions of people.

The fire prevention department also sponsors annually, together with the Memphis fire department, a top-notch fire department instructors' conference, which brings together some 600 leaders, including both municipal and industrial fire chiefs, drillmasters, fire prevention authorities, university and vocational educators, insurance and rating bureau engineers, governmental representatives, and others, in a study of the latest information on all phases of modern firemanship and training. The effect of this conference is very far-reaching.

Local insurance agents often provide excellent leadership in civic fire prevention movements, and the National Association of Insurance Agents has an active committee on fire prevention, as have numbers of the state associations of insurance agents.

A glance backward over the past 50 years clearly demonstrates that there has been great progress made in sound approaches to the solution of the fire problem, and that vast machinery now exists which is making continuous efforts to combat every phase of it. Much improvement has been made in building construction, legislation, the safeguarding of hazards, private and public fire protection communications, the reduction of conflagration hazards, and in public understanding of its responsibility in preventing fire.

Even some of our most shocking tragedies are not completely without benefit. It took an Iroquois Theatre holocaust to bring about widespread theatre safety. The Cleveland Clinic tragedy focused national attention on safer handling of nitro-cellulose film. The LaSalle and Winecoff hotel fires will bring about greater hotel safety.

Both the public and the fire insurance industry are slowly but surely awakening to the realization that intelligent fire prevention efforts pay big dividends, even though the current loss figures are very large. Probably no other service of the insurance business is doing more to promote public appreciation and respect for it than its fire prevention and fire protection programs.

There is much yet to be done. Windowless buildings, escalators, airplanes and emergency housing are examples of current headaches of the fire protectionist. People still kill themselves and others smoking in bed, throwing kerosene on hot coals, and in hundreds of other silly ways, but the public will learn in time, for public education will be continuously augmented through many channels.

Meanwhile, more and more fire safe materials in common use will be developed. The recent introduction of glass fabric is an example of this. Better means of fire proofing otherwise burnable materials will be developed.

At the time The National Underwriter marks its 100th year, the American people will be appalled at our present rate of destruction of human life and property by fire. That will be in no small measure because the fire insurance business in cooperation with the rest of fire prevention minded America will continue to supply intelligent and competent leadership and cooperation in helping to wage the never ending war on needless fire waste.

Richard E. Vernor of Chicago, manager of the fire protection department of the Western Actuarial Bureau, has served two terms as president of the National Fire Protection Association. He has made an outstanding record in fire prevention work. He started his business career at Ecorse, Michigan, in 1914 doing experimental work. His father, the late Frank A. Vernor, was prominent in field work in Michigan for over 30 years. R. E. Vernor entered the Michigan Inspection Bureau after his father's death. He became a field man for the Commercial Union and then went with the Liverpool when W. P. Robinson was state agent, and from there to the Western Actuarial Bureau in 1922. He was president of the Chicago Rotary Club and later district governor.

R. E. Vernor

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READING • PENNSYLVANIA

At 413 Vine Street, Cincinnati

Memories of Building Where History Was Made

BY V. L. GALLAGHER

413 Vine street in old Cincinnati will always be a synonym for adventure to me. What a thrill it was to the small boy who was transplanted from a country town to the metropolis of the Ohio Valley. It was a thrill to the whole family; my Dad, Thomas E., who was getting his first important recognition; to my three sisters, Elsie, Gretchen and Grace; and even to the big black half St. Bernard and half Newfoundland dog, Jack, who was brought along only because my sister Elsie agreed to and did shoulder all responsibility for getting him there safely. (Elsie is Mrs. Billie Earls.)

Father had been special agent in western New York for the Aetna (no Aetna man would then dignify competition by calling it the Aetna Fire. To him there was but one Aetna). When F. C. Bennett, who had been western general agent of the company for many years, died, Dad went from his native town, Dansville, New York, to Cincinnati and was made a member of the firm of Keeler & Gallagher, which managed the company's activities in the west. "West" in the terms of the Aetna did not include territory of the northwestern department at Omaha, under Mr. Wyman, which comprised roughly the country west of the Mississippi, north of Arkansas and east of the Rockies.

So the family moved to Cincinnati from Dansville, New York, and my first impression was gained by looking out of the windows of the Arcade Hotel and marvelling at the double trolley street cars. Rochester cars had but a single trolley.

Next day I found 413 Vine street to be just a few doors down from the Arcade. Straus's cigar store was on the ground floor. I was led through a round topped stone doorway along the long hall that made the passageway to the rear of the building where, to my truly great joy, was an elevator in which I might ride, close beside the three or four steps that led up to Roger Kemper's local department office. The branch office problem, you see, dated even that far back. But what was of even greater interest to my youthful eyes was the presence of a printing shop on the fourth floor, the editorial offices and plant of the young Ohio Underwriter.

CINCINNATI, the Queen City of the West, located where two river valleys opened up the southern Ohio hills to the banks of the Ohio River, strategically placed about half way of that mighty highway of commerce, had early assumed a leading position among the budding cities of the magnificent agricultural and mining country we know as the middle west. Commerce from the deep south chugged up the Mississippi on the two-stack paddle wheel steamers into the Ohio, debarked at Cincinnati, where the canal boat or the newly built railroads took over for delivery to ports on the Great Lakes or across the Alleghenies to the east. Half southern and half northern, Cincinnati seemed to combine the better qualities of each and its friendly and hospitable Dixieland manner served to make more pleasant the conservative push and energy of the sturdy Germans who had recognized the possibilities of this town's location and its rich tributary country.

Insurance of the river cargoes soon developed into proportions of real importance, and local companies appeared to compete for this business with the branches and agents of the more daring of those from the east. At one time Cincinnati is said to have been the home of 33 local companies. Through the last quarter of the last century, due to the increased need for economy, the passing of the river steamer as a cargo carrier of importance and a lack of conservative accounting which looks to our more educated eyes almost to have been impossible, these local companies one by one passed away or were absorbed, leaving Cincinnati as the western headquarters of some of our great eastern companies. Foremost were the Aetna (which under J. B. Bennet had dominated the Middle West prior to and following the Chicago fire), Phoenix of Hartford, Liverpool & London & Globe and Royal. Furthermore, a strong local board had built powerful agencies in the town and its insurance importance was of no mean character.

Not surprising therefore is it to find an energetic and idealistic young man with the peculiar name of E. Jay Wohlgemuth and a glint of determination in his eye, resolved to provide this little Hartford and its surroundings with a medium of expression for its insurance view and its insurance news.

Nor is it surprising to know that, since I had three attractive sisters, he and other ambitious young men he gathered about him, were often seen at the little house on Grand street (now Sinton avenue) and that the young brat who glorified in spoiling an evening for his older sisters should have been bought off with a nickel for an ice cream soda at Ludwig's drug store (ten cents for a sundae if it was near pay day). My sisters were all musicians and it was a puzzle to me that there could have been such charm as there must have been in those hours at the piano, violin and songs. I was bored stiff.

While I was far too young to appreciate it, I feel sure that much of the thinking in middle western insurance circles might be traced to the evenings and Sundays spent by the Ohio Underwriter's staff at Tom and Sally Gallagher's house. When the products were men like E. Jay himself, Charlie Cartwright and Bill Crawford, it seems but fair to reason that way. To these add Billie Earls, Clem Wheeler, Elliott Middleton, Ed. Welch, John Gallagher (Dad's cousin), John Shea and the field men of the Aetna who seemed to flock around — James Polk, John Davies, Paul Ruud, George Armstrong, Lou Wolz and A. G. Sanderson. When I didn't hear music I heard insurance. What a life.

Vincent L. Gallagher, after graduation from Massachusetts Institute of Technology, worked for a time as a power salesman for two Illinois utilities, and then jointed Aetna Fire as a clerk and subsequently became special agent in Ohio. He served as an ensign in the first world war. Later he became manager of the business development department, assistant secretary and then secretary of America Fore companies in New York, was manager of the western department of the Pearl group at Chicago, and now is assistant U. S. manager of Pearl and vice-president of Monarch and Eureka-Security in New York.

VINCENT L. GALLAGHER

YEARS later when the Aetna, and with it the Gallaghers, had been moved to Chicago, I remember Dad was fit to be tied because the Ohio Underwriter which had passed through the transitional stage of Western Underwriter into its present designation of NATIONAL UNDERWRITER, changed its format to include the familiar blue cover. It appeared that back in those early days E. J. Wohlgemuth with dragging steps had come down from the fourth floor of 413 Vine. He passed Mr. O'Kane's

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cashier's cage with a nod to this kindly old gentleman whose shiny bald head topped a luxurious white beard. He walked up the aisle past the high stand-up desks, the cases in which were stacked the agency registers (each agent had his own volume). He appeared in the big double office facing on Vine street in which Dad sat at the south end desk and N. E. Keeler at the north one and conveyed the distressing news that the Ohio Underwriter could not go to press because it had not paid its paper bill and there was no paper. Dad had thereupon given E. Jay an order for three years advertising of the Aetna, payable in advance, in consideration of front page space, right under the date line, to be the preferred position of this advertisement from then on. What he was mad about in Chicago was that the fancy new cover spoiled that place. He soon got over it, however.

But to me, the old job printing press (how did the printer keep from smashing his fingers?), Bill Crawford's kindly saving of stamps for my collection, and the undertanding treatment by Charlie Cartwright of a kid who must have been an awful nuisance, will always be bright spots in my memory. It has made the growth of the paper in size and influence particularly interesting.

Insurance history was made in 413 Vine street. The American agency system first reached its fruition as a tributary to the old Aetna office there, the Sanborn map was there conceived, and it is claimed that it was the home of the daily report. Advertising was the hobby of J. B. Bennet in the seventies and any one who has read the Aetna bible, probably the most complete treatise on how to sell insurance, underwrite the business and care for it thereafter, will look with respect on that location and not be surprised that it gave birth to an outstanding journal of insurance information, THE NATIONAL UNDERWRITER. A worthy son of a worthy birthplace.

THE RISE OF HAIL COVER

Long struggle to arrive at scientific rate procedure

THE origin of the business of insuring against damage upon glass and upon grain, fruit and other crops by hailstorm seems to have been in Germany in 1797, according to Walford's Cyclopaedia of Insurance. The beginning is traced to one Von Muller, a landed proprietor at Mecklenburg, at whose request a commission was formed to inquire into the project.

As a result of this group's findings, the first known association was founded at Neubrandenburg, the Mecklenburg Hail Insurance Association. It was conducted upon the mutual contribution plan and continued in existence up to the time the encyclopedia was printed in 1878.

The next attempt at hail insurance occured at Toulouse, France, in 1801 at the instance of a certain M. Barrau. He met with little encouragement, however. Even the government bureaus opposed the project. In 1809 the council of state suppressed the society. Notwithstanding opposition to, and failure of, M. Barrau, a number of other mutual hail societies subsequently sprang up in the south of France. All of which were unsuccessful with one exception, La Ceres, which was started in 1823.

The earliest English company was the Farmers & General, founded in 1840. It afterwards became the Loyal Farmers. The company, at its inception, did not actually issue hail insurance policies, although its prospectus said "arrangements are now made for effecting insurance against hailstorm without risking the capital of the institution."

In 1842 a company under the title of Farmers & Gardeners Hailstorm Insurance Company commenced the business of hail insurance in the United Kingdom. The company probably was promoted under the auspices of Farmers & General.

The first American hail insurance company appears to have been founded in 1870 in Milwaukee under the name of the Mutual Hail Insurance Company. It insured on the cash plan with premium notes and its business extended through the states of Wisconsin, Minnesota, Iowa, Nebraska and Illinois. In 1875 the company had 5,624 policies in force with insurance amounting to $3,127,661 and premiums totaling $36,436. Losses for the year amounted to $19,406.

In 1879 the company received legislative permission to organize as a joint stock company under the title of the Milwaukee Hail Insurance Company with capital of $50,000. There are no present day records of the venture.

German-American Hail Insurance Company of St. Paul was organized in 1876 and in the same year the Union Mutual Hail of Princeton, Wisconsin, was formed.

From the foregoing, it is seen that mutual companies played a leading part in the beginning of hail insurance on growing crops. It is also true that they are an important factor in the business today, but because their operations are confined largely to one state, because of their lack of uniformity in reporting and in some instances until recently the absence of reports altogether, this article is largely concerned with stock companies.

ST. PAUL Fire & Marine was the first of the present day American stock companies to engage in the insurance of growing crops against damage by hail, becoming active in this field in 1883. Northwestern Fire & Marine entered the business in 1907 and by 1912 there were numerous companies so engaged. Many of these, however, subsequently withdrew from this department of the insurance business or passed out of the picture altogether.

At first the business was conducted on a hit or miss basis with results to companies amounting to riches or rags. This is understandable since there were at the time no experience tables on which to base rates. While this situation has been remedied to a considerable extent, there still remains room for improvement. Lack of uniformity in reporting and classifying results together with inadequate records are some of the barriers to a scientific approach to the problems involved.

Some companies continue to include reports on hail insurance on growing crops with their reports on other hail, tornado, cyclone, etc. A weather bureau spokesman a few years back is credited with the remark that it would take 200 years of weather records for accurate hail damage findings.

Progress has been made withal, many companies having formulated their own experience tables and conducted research to determine the extent of damage done to certain crops in certain localities.

Forms and policies in use by contemporary European firms were adopted by the early American concerns. These forms and policies, changed from time to time to meet conditions, are in use at the present time.

Principal crops protected against hail damage are wheat, corn, tobacco, cotton and soybeans, with vegetables and fruit becoming increasingly important factors in the business.

North Dakota with more than $54 million written was the largest buyer of hail insurance on growing crops in 1945 while next in line was Kansas with upward of $49 million written. In the period 1915-1946 North Dakotans bought $753 million of this type of insurance while Minnesotans protected their crops to the extent of $354 million.

Besides North Dakota and Kansas other leading states in buying hail insurance in 1945 included Iowa, South Dakota, and Minnesota.

It is estimated that about 90% of the hail insurance written in Canada is in the grain growing provinces of Alberta, Saskatchewan and Manitoba. According to a compilation of insurance written in 1945 by 21 company groups, about 6.7% of the total hail business is written in Canada with 93.3% in the United States.

Most active in the hail business in 1945 was the Home group with a total underwriting of in excess of $141 million of which $134 million was American and $7 million Canadian. The following unofficial table received from sources thought reliable shows figures of leading groups.

Hail Premium Figures For Stock Companies

Company Group	United States (direct) Prem. $	Losses $	Loss Ratio	Canada (net) Prem. $	Losses $	Loss Ratio	Aggregate Prem. $	Losses $	Loss Ratio
*Home	7,864,833	4,624,726	58.80	453,094	143,373	31.64	8,317,927	4,768,099	57.32
*America Fore	2,818,318	1,618,211	57.42	349,621	150,571	43.07	3,167,939	1,768,782	55.83
Great American	2,650,218	1,468,489	55.41	186,321	72,106	38.70	2,836,539	1,540,595	54.31
*St. Paul	2,563,586	1,618,824	63.15	79,499	28,027	35.25	2,643,085	1,646,851	62.31
*Springfield	2,544,390	1,546,452	60.78	140,555	56,108	39.92	2,684,945	1,602,560	59.69
*Hartford	2,512,549	1,426,731	56.78	211,577	51,434	24.31	2,724,126	1,478,165	54.26
Aetna	2,378,848	1,410,810	59.31	169,351	60,723	35.86	2,548,199	1,471,533	57.75
Crum & Forster	2,196,875	1,294,621	58.93	18,703	12,865	68.79	2,215,578	1,307,486	59.01
Ins. Co. of No. America	2,034,386	1,141,167	56.09	128,209	63,404	49.45	2,162,595	1,204,571	55.70
The American	801,839	533,124	66.49	......	......	....	801,839	533,124	66.49
Fireman's Fund	640,736	228,502	35.66	......	......	....	640,736	228,502	35.66
*Globe & Rutgers	451,421	270,604	59.94	......	......	....	451,421	270,604	59.94
*Camden	156,680	65,682	41.92	......	......	....	156,680	65,682	41.92
Royal	54,143	28,703	53.01	......	......	....	54,143	28,703	53.01
†Corroon & Reynolds	26,350	6,910	26.22	......	......	....	26,350	6,910	26.22
†Eagle Star	15,870	3,180	20.04	......	......	....	15,870	3,180	20.04
Canada Security	......	......	....	51,608	9,024	17.49	51,608	9,024	17.49
Canadian Mercantile	......	......	....	12,369	727	5.88	12,369	727	5.88
Chubb & Son	......	......	....	71,836	25,062	34.89	71,836	25,062	34.89
Phoenix of Hartford	......	......	....	418,862	221,183	52.81	418,862	221,183	52.81
Providence Washington	......	......	....	5,179	5,042	97.35	5,179	5,042	97.35
Grand Total	29,711,042	17,286,736	58.18	2,296,784	899,649	39.17	32,007,826	18,186,385	56.82

*Includes 1944 Supplemental Reports.
†1944 Supplemental. No figures reported for 1945.

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Casualty executives association, assigned risk plans, graded commission, and other ideas were projected at these gatherings

BY J. M. HAINES

PROBABLY there is no business in the world that requires as much of the time of those engaged in it as the insurance business in attending conferences and committee and association meetings to deal with matters of common interest. The reason, of course, is that the very nature of the business is such that a certain amount of cooperation between the companies engaged in it in the collection of statistics and for other purposes is essential if the public interest is to be served properly. While some companies claim to be acting independently of all others and may honestly believe that they do, the truth of the matter is that there can be no such thing as deviation unless somewhere and somehow a base has been established from which to deviate.

Of course, I have not attended all of the meetings and conferences that have been held during the 40 years that I have been actively associated with the insurance business. But I have participated in hundreds of them, particularly those having to do with the casualty business in the years when that branch of insurance was developing from its modest beginnings into one of the major forms of insurance written in this country. Most of those conferences and meetings were held, of course, primarily for the purpose of dealing with current problems of the day, but occasionally, whether we could see it at the time or not, action was taken or agreements entered into that had a lasting and profound influence on the whole conduct of the business. Inasmuch as THE NATIONAL UNDERWRITER in its 50 years of existence has well served the insurance business in reporting and editorially commenting upon these activities, it would seem appropriate and interesting in this 50th Anniversary Number to review some of the more important of these conferences, more from the personal angle than from a technical viewpoint.

The earliest meetings that I was sent to attend as a very young and inexperienced cub in the business were concerned largely with current problems such as the establishment of rate levels based upon collected experience. Too often, it seemed to me, they deteriorated into something in the nature of a laundry for the washing of dirty linen. Charges and counter charges of pirating each other's business were common and as nearly everyone there was an individualist of the first water, rare personal feuds developed—some of which lasted as long as the participants lived.

The first really memorable conference that I was privileged to attend was held, I believe, in 1913 in the LaSalle hotel in Chicago. Workmen's compensation laws had been passed in some states and it was apparent that the movement would spread to most, if not all, of the states. It also appeared that if private carriers were to be permitted to service a class of insurance that would be practically compulsory, the cost of handling such business would have to be reduced to a minimum. Superintendent of Insurance Emmett of New York, therefore, called this conference of company executives and producers to consider what would be a proper loading in the rates for acquisition cost.

Needless to say, they were all there. I recall specifically Louis Butler and Sullivan of the Travelers, Hilles and Theodore Gaty of Fidelity & Casualty Company, Appleton and Murray of Employers Liability, Edson Lott of United States Casualty, Highland Burns of Maryland Casualty, and my own chief, Fred Lawson. On the agency side there were present such stalwarts as Fred Gray of Minneapolis, Tom Daly of Denver, Edward Landis of San Francisco, Billy Wilson of Cleveland, and Wade Fetzer and George Webb of Chicago. Among others and representing the insurance press, of course, was our old friend Charles Cartwright of THE NATIONAL UNDERWRITER.

J. M. Haines of New York City is a casualty and fire official. General attorney in this country for Phoenix Assurance, Union Marine & General of Liverpool, he is United States manager also of the London Guarantee & Accident and that is where he feels more intimately at home. Furthermore, he is chairman of Columbia of New York, Imperial of New York and United Firemen's of Philadelphia. These jobs give him plenty to do. He was born in May, 1890 in Adrian, Michigan. He entered his insurance career with the United States head office of the London Guarantee & Accident in Chicago in 1907, when Capt. A. W. Masters was manager. As a young man he devoted his attention to underwriting and became superintendent of the liability department in 1908 and served until 1920. He was then transferred to the agency department as superintendent until 1923. He was appointed assistant United States manager of London Guarantee in 1923, and manager in 1929. He has had admirable training and is one of the top casualty men of the country.

J. M. Haines

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A good notion of the style of dress as well as the office furnishings prevalent when THE NATIONAL UNDERWRITER first appeared may be derived from this photograph, taken at the time, of the liability department of The Travelers' branch office at Manchester, New Hampshire. The floor-sweeping skirts of the feminine members of the office were partly protected by ruffled aprons. Aprons for gentlemen members were not *de rigueur.*

especially since, as a result of about three days' deliberations, the famous Emmett ruling emerged which fixed 17½% as the top limit for commission and field supervision for workmen's compensation insurance, the same basic loading that (with exceptions) is included in the rates today on this class of business, 34 years later.

It was rather a shock to the underwriters of those days to be told about this time, when the Massachusetts compensation act was passed, that instead of the employers liability policies that they had been accustomed to write with limits of $5,000 for one person and $10,000 for one accident or, at the most, $10,000 and $20,000, workmen's compensation policies would have to be unlimited in the amount of liability.

I was not present when as a result of this decision the Workmen's Compensation Reinsurance Bureau was formed in 1914, under the leadership of the late Duncan Reid of Globe Indemnity, who served as its chairman until the date of his retirement several years ago. However, I have been privileged to serve as a member of its board of governors for some 20 years and, under the chairmanship of Henry Collins of Ocean Accident as a trustee since Mr. Reid's retirement. This organization, now with assets of over $13,000,000, has been one of the most successful cooperative movements ever sponsored by the stock casualty insurance companies, and by assuming the risk of a loss of over $25,000 in any one accident, has enabled its numbers to write unlimited policies without fear of excessive losses at a minimum of expense.

It did not take long after the first workmen's compensation law was passed for the companies to realize that if the state made insurance thereunder compulsory, for all practical purposes, it was under an obligation to see that such insurance was available to all deserving employers and employes. Also, realizing that if private carriers would not or could not provide such insurance, the state would enter the field, there was a memorable meeting in Hartford in 1915 or 1916 as a result of which ten leading companies formed what was known as the Associated Companies to write such risks as coal miners, window washers, and other risks not ordinarily acceptable to an individual company. This organization made two mistakes which doomed it to failure; it did not recognize in the beginning that so-called hazardous business had to be even more carefully underwritten for the benefit of all members than ordinary business, especially since all companies were not participating, and that producers should not be encouraged to place such business in the pool by the payment of the same rate of commission. The Associated Companies disbanded after about ten years of operating, but the need still existed and was later supplied by the assigned risk plans, which are in successful operation in a great many states. As I recall it, the meeting in Hartford at which the Associated Companies was formed was spearheaded by Walter Cowles of Travelers, and it was there that I first became well acquainted with Edward Bond of Maryland Casualty, the beginning of a friendship that continued up to the time of his death a few years ago.

During the years of World War I, we were all busy serving the government in the war effort and did not have the need or time for many meetings or conferences. But it was not long after peace was declared that things began to go from bad to worse—a point to remember when the abnormal conditions created by World War II have subsided. Many new casualty companies had come into the picture immediately before and during the war and they were all looking for a place in the sun by instituting new methods of production

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which, whatever their merits, were decidedly upsetting to the old order. Finally, as the culmination of a commission war in New York City on burglary business, a conference was called in 1923 in the old office of the National Bureau of Casualty & Surety Underwriters on 42nd street. I do not recall any meeting that surpassed this one for long drawn out argument and heated debate, but after nearly a full week of day and night sessions the Conferences on Acquisition and Field Supervision Cost for Casualty and Surety Business were born and later received the blessing of the New York insurance department and the National Association of Insurance Commissioners. These organizations are still in existence some 23 years later and while no one can say that they have functioned with 100% perfection, it must be admitted that they have at least established a standard that has aided in the making of rates for all forms of casualty insurance.

Unfortunately, it soon became apparent that the commission question was not the only problem that confronted the companies. Wages upon which workmen's compensation premiums are based were falling, the laws and the interpretation of them by the state industrial commissions were being liberalized, and when attempts were made to secure rates that would recognize the trends of the time, it was discovered that there was a political angle to the problem that had to be reckoned with. Followed some of the most anxious and disturbed years that any of us in the casualty business ever experienced and, as usual, the recourse was to interminable meetings and countless conferences. Space does not permit mentioning all of the steps that were taken to avoid the disaster that was confronting us, but I might mention a few meetings that had an effect that has lasted to the present day.

There was the day we met in the old offices of the National Bureau on 42nd street and looked at an average net loss on workmen's compensation business of something like 18%. It would have taken a strong company indeed to stand that very long. It was at this meeting that the late Duncan Reid of the Globe suggested that there should be an organization of chief executives of companies in the casualty and surety field, and thus was born the Association of Casualty & Surety Executives, which later absorbed the Workmen's Compensation Publicity Bureau, the Casualty Information Clearing House and the Insurance Federation of America, Inc.

Then a rather desperate but determined small committee, in the beginning self appointed, I think, undertook to see what it could do. The regular members of this committee, designated merely as a special committee on workmen's compensation rate making, were the late Bob Sullivan of the Travelers, Bill McCaffrey of the Globe, Edward Bond of the Maryland, Cliff Morcom of Aetna Casualty, Bill Leslie of the National Bureau, and the writer, although others participated from time to time.

Following many meetings of this committee in Hartford and New York, a conference was arranged in New York in the Biltmore hotel with committees representing the various producers' organizations which lasted for three days, including one holiday. Later the committee met again at the Edgewater Beach Hotel in Chicago on the occasion of an annual meeting of the National Association of Insurance Commissioners. There, for the first time, the proposal was made that commissions should be graded by size of risk. To say that it was not well received would be stating it mildly; in fact, I distinctly recall one evening session when coffee was ordered for everybody at the start of the proceedings and by the time it arrived there were only three of us left to consume eleven pots of coffee!

I would not go so far as to say that out of all of these conferences and meetings, earnest though they were, a permanent solution to our problem was found. But I am sure that as a result there was a more realistic approach to the question of workmen's compensation rate making which made possible, later on, a more sympathetic consideration of the retroactive rating plan and the War Department rating plan. The latter, incidentally, was evolved as the result of many conferences with War and Navy Department officials at which not only the problem of providing adequate insurance at reasonable cost on all lines of insurance for contractors and others engaged in war work was considered, but many other phases of the war effort, such as the conservation of man power and the prevention of information leaking out that would be useful to our enemies. But that would be a story in itself.

I do not think I should close these reminiscences without referring to another important series of conferences that came along in the early 1930s, because, in a way, they were prophetic in that for the first time the shadow of the federal government fell across the insurance business. The brilliant idea had been conceived that if we could have an N.R.A. code in our business all of our troubles would be at an end, but, luckily, the insurance business moves slowly and before any definite conclusions could be reached the N.R.A. was a dead chicken. Incidentally, these conferences were interesting to me beause they marked my first intimate contact with the fire insurance fraternity and there I had the opportunity of getting better acquainted with such men as the late Mr. Bissell of the Hartford, Paul Haid of the Insurance Executives Association, and many others, some of whom have passed on and others retired. I was truly impressed by the fact that insurance is insurance whether it be fire, casualty, surety, marine or life, and that fundamentally there is little difference in the problems confronting any branch of the business.

As the files of THE NATIONAL UNDERWRITER will show in the 50 years of its useful life, insurance is by no means a static business. Conferences are still going on which will be memorable to the next generation because they are the ones who will be affected by and have to struggle with the decisions that are being made today. However, as always, the current issues are more or less controversial and it is too early to tell what the effect of the decisions that are being reached today may be. So, perhaps it would be just as well to let someone in the succeeding generation write his recollections of memorable conferences for the 100th anniversary of THE NATIONAL UNDERWRITER.

When Letter Went to the Wrong Man

The feud between J. J. McDonald, western manager at Chicago of the Continental, and C. I. Hitchcock, insurance editor of the Chicago "Record Herald" caused some amusing episodes.

Mr. McDonald was very bitter in his dislike for Hitchcock, although no one ever got from him a reasonable explanation of why. However, in order to get revenge on Hitchcock, he supplied C. M. Cartwright, insurance editor of the "Inter-Ocean," with anything he could give out.

Cartwright was off duty one day. It was the custom between him and Hitchcock for each to take care of the absentee's column the following morning. When Hitchcock went to Cartwright's office at the "Inter-Ocean" and looked over the material on his desk, he found a letter from Mr. McDonald in his old time blue pencil style. It was quite an important bit of news. Hitchcock, however, put it in the "Record Herald," and it did not appear in the "Inter-Ocean."

The next morning Mr. McDonald was full of fire, fury and frenzy. He thought that the office boy had delivered it to the wrong address, and he pitched into the lad in a loud voice. The boy tried to explain that he did not deliver the letter to the "Record Herald." Then Mr. McDonald called in his key employes, declaring someone had done him dirt and had purposely had his letter delivered to Hitchcock. Those in the office would not go near him for two or three days until he cooled off.

In his letter to Cartwright about the news, Mr. McDonald said "This is information that your pot-bellied friend on Washington street will not get."

Stewart McDonald, chairman of Maryland Casualty, is a son of the late J. J. McDonald.

The Disciplining of Manager Voss

F. G. Voss many years ago was located at San Francisco where he was United States manager of the Thuringia of Germany, a fire company, and the Frankfort of Germany, a casualty company. Evidently he desired a larger world to conquer and moved his headquarters to Chicago. He was very boastful and vain. He knew the answer to almost all questions. In Chicago he opened the throttle and drove for premiums in a big way. He soon stirred up competitors and the competition was quite severe. At that time C. I. Hitchcock and C. M. Cartwright were daily newspaper men conducting insurance news departments. They were amazed when they first called on Mr. Voss and came in contact with Charles T. Rothermel, who had been hired as chief clerk, and who told the newspaper men that they must turn in their names and tell him the nature of the information they desired from Mr. Voss. The two reporters had not encountered any such reception from a manager before.

They were welcomed in all offices because the manager had faith in them and knew that he could deal with them in a confidential way when desired. The two news gatherers refused to accede to Rothermel's request. In a few days they happened to call together on General R. J. Smith, secretary of the Traders, who was a friend of both, a man of sound sense and excellent judgment. He told them that he did not want such performance existing in the insurance news distribution in Chicago. General Smith called on Mr. Voss and read the riot act to him. He told him that if he introduced such tactics in Chicago, he would not last long.

General Smith told him that the two newspaper men were regarded as friends, that they knew their business and were doing good work. Soon after that, Mr. Voss instructed Mr. Rothermel that when either came to the office, to send him in immediately. Mr. Voss gave each of the two newspaper men a gold handled cane. Mr. Cartwright still has his.

Mr. Voss was suspicious of everybody. He feared enemies at all times. He would go to New York or some other place and then wire Mr. Cartwright to meet him at the station when he came home. When the two met at the station, Mr. Voss insisted that they go to the middle of the waiting room to converse. He said that he had enemies, that they were trying to find out his business and he refused to talk until he was sure that he was safe.

40TH ANNIVERSARY YEAR

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Growth of Rating Organizations

Techniques Can Be Expected to Improve in Future

BY JOSEPH J. MAGRATH

THE present intricate system of rating organizations that has grown up in the business of fire and casualty insurance has been of varied origin. Some units were inspired by luncheon discussions and conferences of competing underwriters and executives. Some developed out of accident prevention and statistical bureaus devoted primarily to the discovery of the cause, incidence and cure of accidents. Some came out of meetings of field men and special agents of competing companies. General agents, branch managers and company officials formed other rating bureaus.

Most rating organizations were formed within the past 50 years. Some function for a single city or state; some cover a group of neighboring states and some are nationwide in operation. Some rate a single hazard, others rate a number of classes or kinds of insurance.

In many, but not all, instances the rating organizations have been the organizations for the collection and compilation of experience statistics on the classes of insurance rated by them, and the states that have rating laws have made them the official statistical agent of the state for that purpose

Although rate making techniques vary widely for different classes of insurance, the general procedure is fairly common. The staff of the rating organization prepares the statistical reports and computes the various factors which may be necessary or desirable for use in the process of ratemaking. Staff recommendations for final rates are prepared and then all aspects of the proposals are studied by a committee of company underwriters and rate makers representing the membership.

Except in cases of unusual change, the committee actions are usually final insofar as the rating organization is concerned. Where rating laws give state officials power of approval or review, the rate changes are presented to the state for such approval or review. When this has been accomplished the changed rates are announced to all interested companies and producers.

THE original rates for most classes of insurance were purely judgment rates, were derived by analogy from other insurance rates, or were calculated from statistics on losses without comparison to premiums. For subsequent rate making or modification, the statistics compiled from the experience under existing rates afforded several forms of measurement and rate making criteria which could be examined for that purpose.

One of the commonest forms of measurement is the loss ratio test. The ratio or percentage which losses bear to premiums is the basis of this test. A crude and rather unreliable loss ratio is that found by comparing written premiums with paid losses and yet due to practical considerations that is often the only test available on a classification of business. The more reliable loss ratio is found by comparing earned premiums and incurred losses. This is easily obtained for a major class of business on a countrywide basis but for refinement into component classifications and territories it is necessary to make certain assumptions or employ other tests.

Joseph J. Magrath served in the New York insurance department for more than 15 years and was chief of the rating bureau of the department for more than half of that time. In this position he had supervision of insurance rates and rating organizations. His supervision included acquisition costs and policy forms. In 1937 he entered the employ of Chubb & Son of New York City. He is secretary of the Federal, which is a member of the Chubb & Son group.

J. J. Magrath

On annual business, such as automobile casualty coverage, the rating organization calls for statistics by classification and territory on a policy year basis. The first report on each policy year is called an incomplete year since the policies do not expire until the following year. The second reporting of such policy year is a completed year as all of the premiums on the policies are earned and the outstanding losses are included with the loss reports. In order to use the latest and as yet incomplete year in the figures to be studied a development factor is applied

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to the incomplete year based upon the development of a previous incomplete year to a completed status.

For certain lines of insurance, such as automobile and workmen's compensation, it has been the practice of rating organizations to review all rates annually and where any material change is indicated to make a new schedule of rates. On other classes of business, such as fire, liability, burglary and bonding, it has been the practice to review individual classifications from time to time but to avoid any complete revision annually or even at any regular periods. Valid reasons exist for both practices.

Rating organizations customarily provide a method of hearing appeals and complaints by insureds, or their representatives concerning rates or classifications.

In states that have rating laws an insured can appeal to the insurance department from a decision of the rating organization and may thereafter appeal to the courts.

Another function performed principally by fire insurance rating organizations is the checking of daily reports to determine whether policies have been written at correct rates and on correct policy forms. This checking operation, called stamping, includes a follow up of incorrect policies to secure correction.

CERTAIN auxiliary organizations aid rating organizations in performing specialized functions. Acquisition cost conferences fix the agency and brokerage commissions and standards underlying the expense elements in the rates. The Interstate Underwriters Board assembles individual fire rates and establishes weighted average rates. It also creates forms for fire coverage. Certain regional organizations act in an advisory capacity to state rating organizations.

FIRE insurance rating organizations establish two general types of rates. The first type is the so-called minimum or class rates. These are rates for risks of described classes such as dwellings. The second type is the schedule or specific rates. These individually calculated rates are built up with debits and credits based upon the characteristics of the risk. An example of this type would be a factor where the final rate would depend on the occupancy, processes, protection, construction, area, floor openings, height, and the like.

These fire rates for both types are customarily made as cents or dollars and cents per $100 of insurance. They may be either flat rates without requirement of coinsurance in any amount, or they may be 80%, 90% or 100% coinsurance rates. Sometimes rates are tied to a particular policy form with additional charges for variations of form.

Fire rates are made not only for direct property damage but also for use and occupancy, extra expense, profits and commissions and other types of fire loss.

Casualty rates are established as cents or dollars and cents per $100 of payroll, per $1000 of sales, per 1000 units manufactured, per front foot and 100 square feet of area, and also as dollars and cents of premium per unit of insured coverage as per $1000 of value or per unit insured for standard limits, as, per automobile.

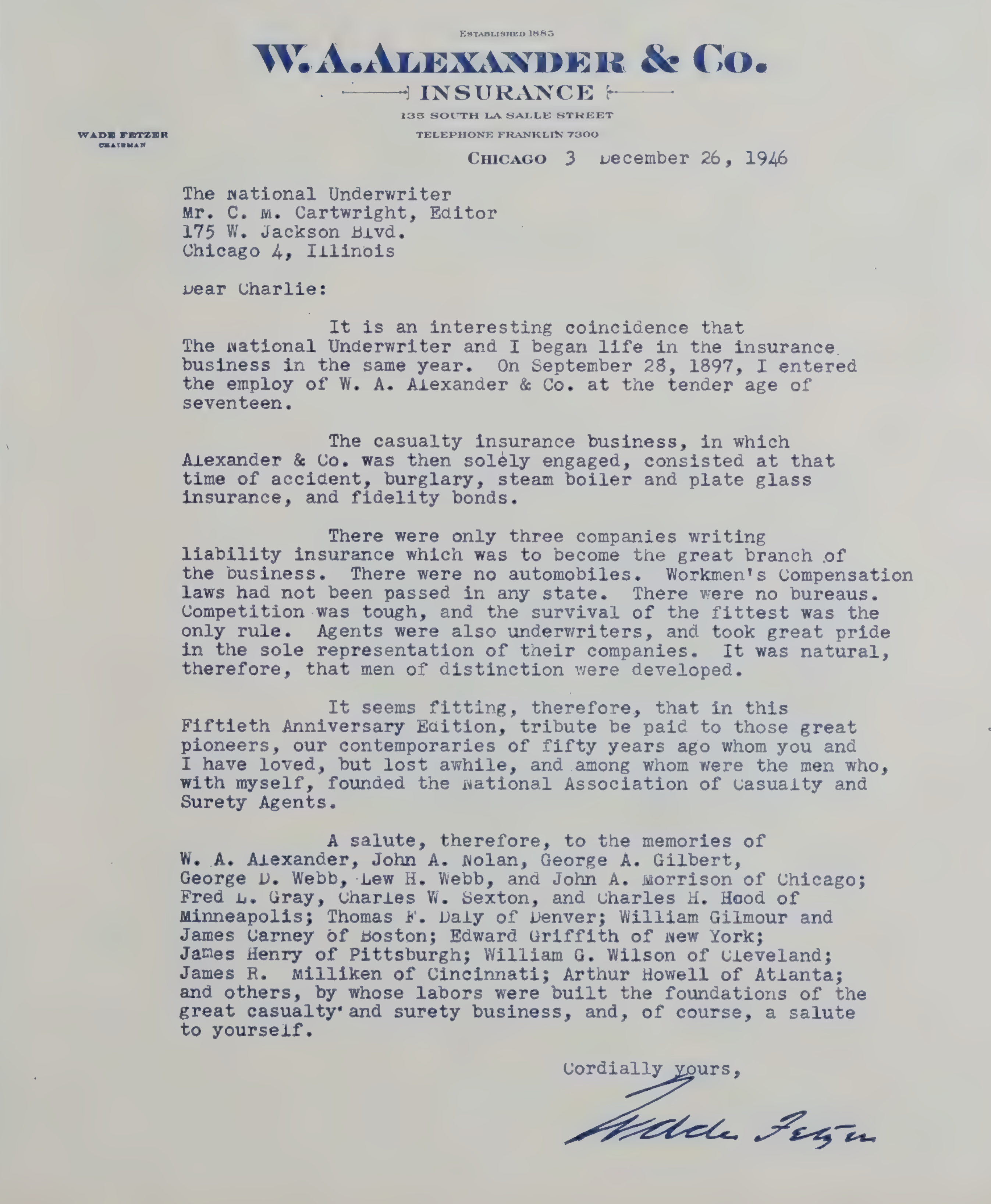
Among other variations to be found in rating organization practice are the differences between rating plans applied by rating organizations with a resultant final rate for the individual risk and rating plans adopted by rating organizations with the application of the plan left to the individual company. The first method is apt to be more accurate and subject to less competitive abuse but adds to the cost of rating organization operation, particularly where an inspection of the risk is necessary.

Manuals prepared and distributed by rating organizations contain minimum and class rates, schedules and plans for calculating specific rates and rules for the application and use of rates, plans and forms of coverage. Customarily an insured or his representative (agent or broker) can obtain from the rating organization the detailed calculation of his specific rate. Agents and brokers usually check these to be sure the insured has been correctly charged.

THE modern conception of a rating organization is that it affords a method under which insurance companies may fix insurance rates, underwriting rules and policy forms for the members of the rating organization subject to regulation by state authorities. Contrary to popular belief, most rating laws do not compel companies to join rating organizations except as a consequence of the necessity or desire of such companies to use the rates and data of the rating organizations rather than to prepare their own independent rates.

Under state rating laws a company can usually obtain the service of a rating organization and with the consent of the state insurance department use a uniform discount. Some states permit other types of deviation from the standards fixed by the rating organization.

It is accepted knowledge that the broader the experience basis the more stable and reliable the indicated results. Thus the combination of the underwriting expe-



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WADE FETZER
CHAIRMAN

CHICAGO 3 December 26, 1946

The National Underwriter
Mr. C. M. Cartwright, Editor
175 W. Jackson Blvd.
Chicago 4, Illinois

Dear Charlie:

It is an interesting coincidence that The National Underwriter and I began life in the insurance business in the same year. On September 28, 1897, I entered the employ of W. A. Alexander & Co. at the tender age of seventeen.

The casualty insurance business, in which Alexander & Co. was then solely engaged, consisted at that time of accident, burglary, steam boiler and plate glass insurance, and fidelity bonds.

There were only three companies writing liability insurance which was to become the great branch of the business. There were no automobiles. Workmen's Compensation laws had not been passed in any state. There were no bureaus. Competition was tough, and the survival of the fittest was the only rule. Agents were also underwriters, and took great pride in the sole representation of their companies. It was natural, therefore, that men of distinction were developed.

It seems fitting, therefore, that in this Fiftieth Anniversary Edition, tribute be paid to those great pioneers, our contemporaries of fifty years ago whom you and I have loved, but lost awhile, and among whom were the men who, with myself, founded the National Association of Casualty and Surety Agents.

A salute, therefore, to the memories of W. A. Alexander, John A. Nolan, George A. Gilbert, George D. Webb, Lew H. Webb, and John A. Morrison of Chicago; Fred L. Gray, Charles W. Sexton, and Charles H. Hood of Minneapolis; Thomas F. Daly of Denver; William Gilmour and James Carney of Boston; Edward Griffith of New York; James Henry of Pittsburgh; William G. Wilson of Cleveland; James R. Milliken of Cincinnati; Arthur Howell of Atlanta; and others, by whose labors were built the foundations of the great casualty and surety business, and, of course, a salute to yourself.

Cordially yours,

Wade Fetzer

Company Representation—Old Style and New Style

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BY JOHN RYGEL

OFTTIMES the subject is brought up among fire insurance men as to the conditions under which field men traveled in the old days, as well as the methods of operations, as compared with the present time, and a resume of this subject brings out some interesting facts. I don't think my experience was any different from that of other field men but rather typical of the times.

In the early days when a young man was given the opportunity of a position as special agent, it was one of the greatest thrills of his business life. It meant a stepping stone of importance for a career in the fire insurance business. In those days the hardest step in our business was that of being promoted from an office job to the position of a special agent. There were not as many field men then as there are today. Office men will recall very well the field men coming into the office smoking fine cigars, going to good places to eat, where on occasions they were good enough to take an office man with them, and we in the office could see only the pleasant side of their position.

The first trip I made was to a small town with a population of about 250. I arrived in the early morning. Snow was heavy on the ground, and it was cold, below zero. There was no hotel in the town and it was necessary to walk up and down the street in order to keep warm until the station agent finally arrived and built a fire. That very day my ideas changed about a field man's job being an easy one.

One of the deep impressions gained at that time was from my boss, the state agent. His theory conveyed the thought that each hour of the working day was company time and that time should be used to do something to further the company's interest. He therefore outlined a plan to make a report of how the time was spent with each agent—what was done for him, and what accomplishments were had, so that at the end of the week a full report of what actually transpired in the territory traveled was before him. There could only be one answer to a routine such as that, and that was a desire to accomplish something in each town visited. Some may have thought this state agent was a hard task master, but the training under him was the finest a young man could have gained, and many times this training has helped in meeting unusual situations in our business.

There is no doubt but that the early days of a man's business life are his most important. All the mistakes of our youth must be paid for the rest of our lives and our accomplishments through studious effort will go far to help gain a proper place in business in our mature years.

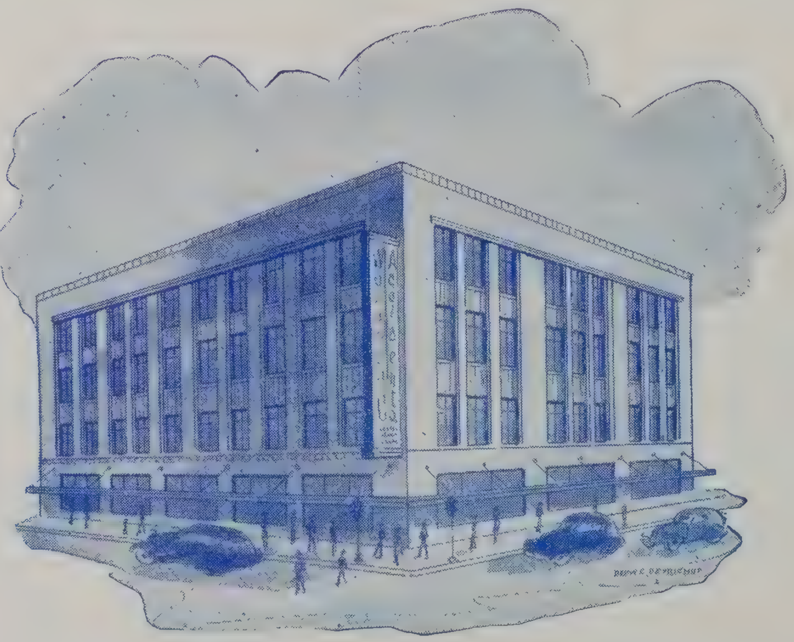
IN those early days the companies generally wrote only fire and tornado insurance. A careful study of what was best to do to make an impression on the agent while in his town led to the thought that to put money in an agent's pocket was the thing to do. Therefore, solicitation of business with an agent became a factor in field work, although, generally,

Rating Organizations

rience of all or a large number of companies for ratemaking purposes leads to greater credibility of the indicated results. While a single company's losses and expenses may be affected by pure happenstance, these results when blended with the experience of others lose the sharp fluctuations that would otherwise appear.

Under proper supervision, rating organizations are necessary and desirable. Membership should be purely voluntary. Should a state in its wisdom determine that all companies must join a particular rating organization, the consequence of such a determination must eventually be operation of the organization by the state with the unfortunate results which usually accompany bureaucracy and politics in business.

It is likely that the future will see the development of improved rate making technique.



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Lincoln 1, Nebraska

John Rygel

John Rygel, vice-president in charge of the western department of the Hanover Fire, has spent almost all of his business life with that company, although he started in Chicago in the western department of the North British in the underwriting end. When a chief accountant found that he was alert with figures, he had him transferred to his office. After two years, North British took its department to New York City, and Mr. Rygel, after a short experience with the Western Factory, went with Hanover in its accounting department. Although figures delighted him, he wanted to be a field man. Therefore, after business hours and on days when there was no one working in the office, he would study all he could about that work. He made an appeal to Montgomery Clark, who was assistant manager, to give him a trial. He became assistant to W. K. Maxwell, Illinois state agent, and soon proved his worth by hard and intelligent work. Hanover had a vacancy in Ohio and he was appointed state agent. It was there that he came rapidly to the front, and was regarded as one of the outstanding field men of the state. From there he went to the western office as assistant manager and later was given full charge. Mr. Rygel is a robust and resourceful thinker. He has worked out what he calls a special Hanover service for its field men and agents. He is chock full of ideas and suggestions for business building and has added much to Hanover prestige in the west.

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there was little of this done by field men in those days compared to present operations. Tornado insurance was a form of insurance that could open the way for an immediate sale. The sale of this form of insurance brought discussions of other matters pertaining to property owners' business which included fire insurance so that the door was opened for a thorough discussion of the customers' needs.

Automobiles were not available to special agents and when a field man arrived in a town, whether it was a good sized town or a small town, it was necessary to wait for the next train and they had plenty of time to spend in the community. This time could easily be wasted, or it could be the means of building up a friendship and acquaintanceship that was invaluable to a field man in his operations. Ofttimes with several hours to wait for the next train with the agent the special agent would call on the important merchants and manufacturers in town, with the result that over a period of time a friendship was gained with these men so that on visits to the town, it seemed like home to meet on the street many important people with whom the field man had come in contact, and who would stop to talk to him about personal items, as well as their business and the fire insurance business.

There were great hardships in the early days, both in travel, hotel accommodations, and even the food we ate. Many times a field man arrived in a town where a suitable restaurant was not available and found it was necessary to buy a box of crackers and some cheese and sit out on the sidewalk and eat such food for his lunch. But, even with these hardships, there was a lot of romance and fun in the acquaintances we made, the friendships that were gained and the accomplishments that were possible through a conscientious effort and determination to get results for the company.

The field men in those early days, while there were not many different kinds of coverages written by the companies, had other duties which kept them busy and made the work very interesting. On the adjustment of losses, a young man had the privilege of sitting in with some of the old timers and watch the development of their thoughts and ideas in arriving at the proper loss and also to keep the policyholder happy. This also gave one a keen insight into policy conditions, as well as the unusual situations that would arise as to coverage. It was not unusual in those days to draw maps of communities where the companies had little information and this gave a picture of the community that a field man could not get in any other way and would stay with him the rest of his life.

THERE were many outstanding figures among the field men in the old days and they were highly respected for their knowledge of the business and their standing in the communities they visited. There were no such sources of information available as today. There were not the insurance classes we have now, the companies did not send out the educational material that the field men receive today. Even the business press was not as educational. The field man relied on his own study and experience to gain the knowledge needed in the business.

The field man occupied a different relationship with the agents in the early days. He counselled with the agents on their private affairs. He was called in when there were deaths in the family, was invited to weddings, and attended christenings. The very fact that more time was spent with each agent made it inevitable that more intimate and personal friendship developed in their dealings. This brought out the personalities of the successful field man.

It seems to me, however, that the young field men of today have the greatest opportunity for achievement ever in the history of our business. There has been a great development of new thoughts and ideas in our business which has led to many new collateral lines. This has opened up new avenues of concentrated production for the studious field man of today. The field man of today who is interested in accomplishments needs to have some knowledge of rate making in addition to under-

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ON this occasion we extend our sincere congratulations to Mr. C. M. Cartwright and The National Underwriter organization on their fiftieth anniversary in the publishing business.

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NEW YORK DETROIT LOS ANGELES

writing ability. He must closely study the various forms of the many coverages now presented to the public and he also must know something about valuations. This knowledge entails a great deal of time spent in other than business hours if the field man is to know his subject well enough to impress the competent agents throughout this country so that his services will be used.

However, traveling conditions are very much better. Instead of an entire state and often several states being under supervision of one man, the territories of field men are smaller and easier to cover. Most field men have automobiles today and this can be of great help or a handicap to a field man. In the old days when automobiles were not available, many inspections had to be made by foot and this took a long time and many hours were taken up with this technical work, whereas today with an automobile almost any place can be reached easily and quickly, leaving more time for the production work. It is easy for a field man using an automobile to drive to a town, find the agent out, and drive on to the next place without anything having been done, but if the conscientious field man does make use of his automobile in the proper way, he can complete whatever work he has to do in a community without waste of time in getting to his next destination. This enables the present day field man to visit all his agents and some of them many times throughout of the period of a year and still spend as much time in each community as he deems advisable both in the agents' interests, as well as that of his company. It is important, however, that a field man know when to leave an agent's office and not unduly take up time without some benefit to the agent in his stay or to take care of company matters. Traveling today, therefore, is much easier. Hotel accommodations are better and certainly there is no need to go without a good meal.

The field man of today who really is desirous of accomplishments and has properly prepared himself for any eventuality, is in a much better situation than he was many years back. A fire insurance special agent has taken on many more tasks, but these have been helpful to him not only in his production but in his general knowledge, and not least of these is some knowledge of the casualty business. Often a problem comes up with an agent and if a field man is able to help out, regardless of whether it is business that his company writes, he is bound to make a good impression and build confidence for his company in that office.

There are great possibilities for the present day field man in the development of business through knowledge which can be easily gained from various sources available.

An Executive Who Knows All Lines

Wade Fetzer, Sr., head of W. A. Alexander & Company, Chicago, has been sales minded from the start. He came to Chicago and made his debut in the old Alexander office when Mr. Alexander was its head. He became the cashier. Mr. Fetzer took a great interest in accident and health insurance and at that time he was one of two men who had the largest business of that kind in the city. The other man was Clyde Gorry, assistant manager of Penn Mutual Life.

The America Fore fire group purchased the Fidelity & Casualty and in due season Mr. Fetzer was called to the office as president. After making a searching analysis, he told Ernest Sturm, then president, that the directors should select one of the fire executives and have him become an expert in casualty insurance inasmuch as the group would be interested in that line thereafter. Mr. Sturm put his recommendations before the directors. They decided that Frank A. Christensen, vice-president of the fire companies and an all around insurance man, should take up the casualty problem.

Mr. Christensen at once went at his new task with enthusiasm. He counted every step, grasped every opportunity he could to add to his knowledge, and it was not very long before he was acknowledged as the big man in the Fidelity & Casualty. He was president of the Association of Casualty & Surety Executives. He inaugurated a number of changes in Fidelity & Casualty and modernized its system. Mr. Christensen is an example of what can be done in developing a leader in both fire and casualty lines. He is now president of the National Board.

Frank Christensen

Wade Fetzer, Sr.

Mr. Fetzer's suggestion was regarded by companies developing both kinds of business as correct.

Mr. Fetzer was one of the main factors in the organization of the National Association of Casualty & Surety Agents. C. H. Burras, head of Joyce & Company, Chicago is secretary and has long been a big factor in it. The late George W. Webb, Conkling, Price & Webb, was one of the greatest pillars in the foundation work. Mr. Fetzer has all along been a great friend of the organization and has contributed much to its welfare.

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THIRTY-FIVE YEARS OF SUCCESSFUL SERVICE

Notables in Fire Insurance

Recollections of some of the men who shaped the destinies of the business

BY J. F. STAFFORD

IN 1887 I was looking for a job. My mother suggested I call on an old classmate of hers, Thomas S. Chard, manager of Fireman's Fund. The interview was pleasant, but there was no job. I then went to see A. P. Redfield, an independent adjuster, who specialized in adjustments for the mutuals. There I landed my job and began calling on executives of the companies.

J. F. Stafford

A nephew of Mr. Chard, Harry Marsh, after graduating from college, had gone to work for his uncle. At vacation time, Mr. Chard informed Harry Marsh that he might have the first two weeks in August.

"Two weeks!" exclaimed Harry, "I'll need two months." He got the two months; he received a lifetime vacation from Fireman's Fund then and there. But being versatile, he soon entered a local office, and from then on he made history.

D. Andrus, who retired as a special agent to become the chief examiner of Fred S. James & Co., introduced me to George W. Blossom of the firm, and before long I became one of the small office force, which at that time included such men as Ed Hatch, Bob Greer, Harry Espenschied, and others.

MR. BLOSSOM worked early and late, and his habits instilled in the younger men the value of close attention to business.

When I was offered the chief clerkship of the Iowa Rating Bureau at Davenport, Mr. Blossom urged my acceptance with the suggestion that for three years I study rates and then return to the National. I did not return, for before the three years were up, I became a special agent of the Scottish.

John A. Kelly was at one time general agent of Scottish Union. Martin Bennett was United States manager, and James H. Brewster was assistant manager. Mr. Kelly had come into the rating bureau while I was at Davenport. He told me who he was and asked for certain information. I asked Mr. Kelly what I could do for him. We fixed things up and out he went. It was only then that I glanced at his card and ascertained that he was a general agent of the Scottish. I feared my goose was cooked.

In the afternoon he returned and asked me, point blank, if I wanted to go on the road for the Scottish. When I answered him in the affirmative, he employed me.

I went to Hartford and met Mr. Bennett, Mr. Brewster, and a number of special agents, including Bill Kurth. Mr. Bennett was a fine man, over six feet in height, a tremendous power in the business. He had been made United States manager after service with the old Connecticut Fire, during which he adjusted the losses of the Chicago fire.

I first had headquarters in Des Moines, and then was shifted to St. Louis. It was in St. Louis that I came in touch with many of the executives of the old days, for it was a custom to hold the Western Union meetings at the old Southern hotel.

I. S. Blackwelder of the Niagara was exceedingly kind to me. He started out as a special agent in 1868, the year that I was born. Eugene Cary of the old Imperial traveled Kansas with him, as did A. J. Harding, then of the Home. Mr. Blackwelder introduced me to some of the especially prominent field men of the day. One was Chris Stawitz of New York Underwriters. I met Dave Rorick of American Central. I met W. R. Townley of Western & British America.

JOHN J. PURCELL of the Sun when I first met him was assistant to U. S. Manager Guile and later became western manager. Later he went with the Hartford. John had a heart of gold. He possessed a grasp of language that was astounding. H. H. Glidden, head of the Chicago Board, had been across the ocean, and had brought Mr. Purcell a shillalagh, which he used in Knights of the Round Table initiations with eclat.

I know there are a few who did not like Henry Evans of the Continental. Others thought a great deal of him. I was one of the latter. During the year that Mr. Evans and some others secured control of the old Eagle Fire of New York, I was traveling the southwest for the Scottish. I re-

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Sterling tips its hat to its elders. We are but 17 years old, as against your half a century, but we're coming along by leaps and bounds.

•

Now that we have entered the Agency field you can look to Sterling for the same vigorous and progressive action that characterized our rapid growth in the past. With our eye fixed on our own not-too-distant Golden Anniversary we nevertheless are concentrating on the immediate business at hand. So we say to all our friends —

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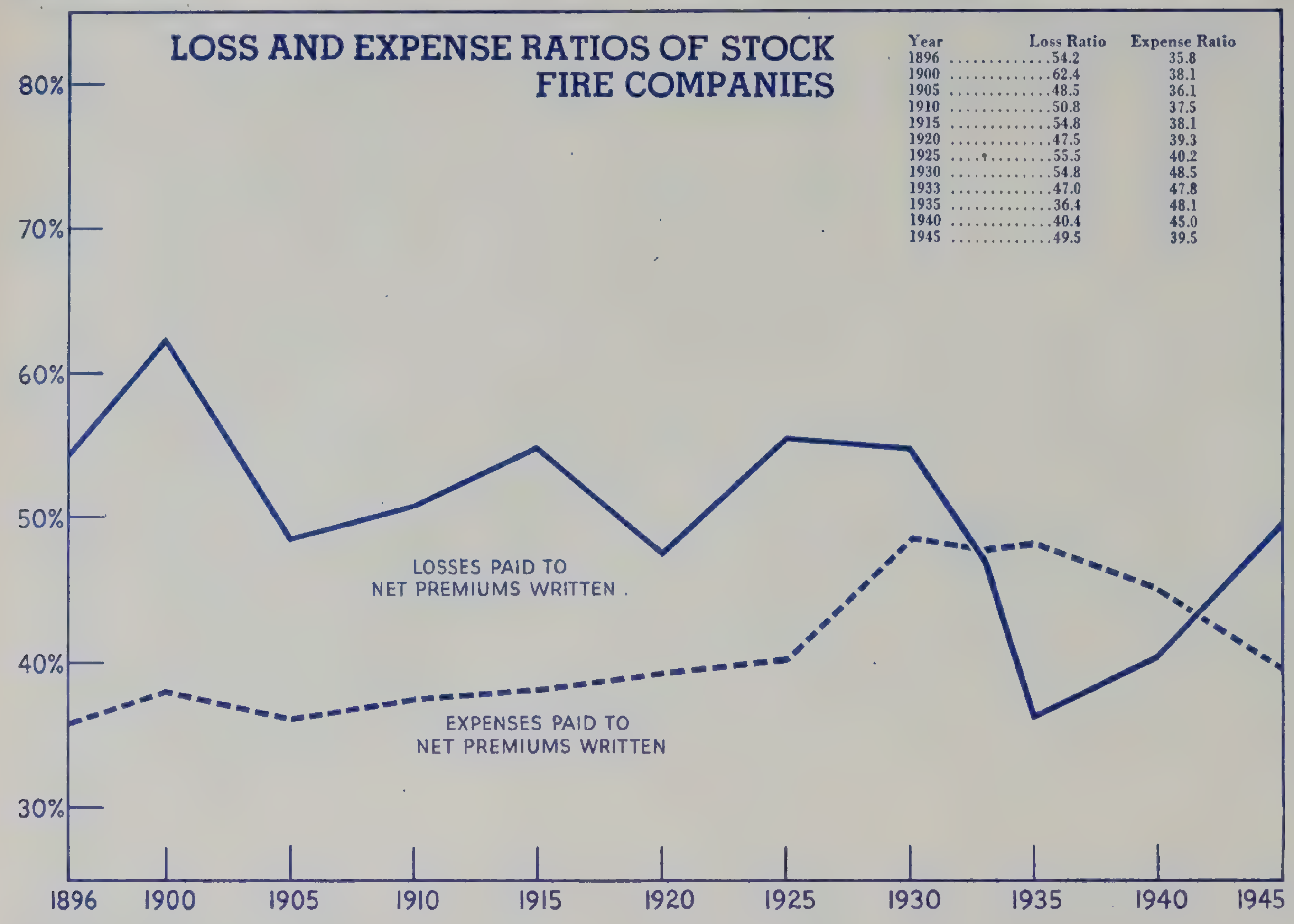

Year	Loss Ratio	Expense Ratio
1896	54.2	35.8
1900	62.4	38.1
1905	48.5	36.1
1910	50.8	37.5
1915	54.8	38.1
1920	47.5	39.3
1925	55.5	40.2
1930	54.8	48.5
1933	47.0	47.8
1935	36.4	48.1
1940	40.4	45.0
1945	49.5	39.5

ceived a wire from Mr. Evans asking if I would become general agent of the Eagle. I went to New York to meet Mr. Evans. He hired me on the spot.

Ed Meinel, an old field acquaintance of mine, had given Mr. Evans my name. Ed had been hired as secretary, and for the space of a year Ed and I ran the Eagle.

Theodore Price, the cotton king of the country, bought controlling interest in the Eagle. He walked into the office one morning and informed us that the company was broke. Mr. Evans reinsured the Eagle in the North British. Mr. Evans told me that if Meinel and I would stay with him he would make us both rich. However, I returned to the West and was employed by Charles E. Dox of London & Lancashire as superintendent of agents.

GENERAL MANAGER Rutter of the London & Lancashire came over, and it was agreed that should anything happen to Mr. Dox I was to succeed him. Mr. Dox always insisted that I attend the Union meetings as his proxy. It was his greatness of heart that made him urge me to take my chance when the western department managership of the Sun was offered me, for he felt that I knew enough to take hold.

John Howley of the Scottish was a man who never spent more than $15 for a suit of clothes, but who would spend $40 for a dinner. I have seen John open his grip, take out a lot of inspection slips, and toss them into an open fireplace.

David S. Wagner, afterwards of Wagner & Glidden, adjusters, was a traveling special agent of my time. He was on the road very much with James G. Best. Both wore Prince Albert coats and high silk hats.

Secretary R. J. Smith of the Traders of Chicago was a strong man but died before the San Fran-

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cisco fire. The oldtimers will never forget what happened to a company that might, and undoubtedly would have made great history in Chicago insurance, except that the directors became panic stricken after the San Francisco disaster in 1906 and reinsured the company, lock, stock and barrel.

George M. Fisher, manager of the Palatine, took the managership of the Railway Underwriters after his company was bought by Commercial Union. D. W. Burrows, then one of Chicago's great local agents, secured control of the Rock Island Railroad insurance. Burrows told George Fisher he had the line but he did not know how to handle it. George told Dan of a young fellow in Duluth who had written the Great Northern and Union Pacific Railroad business. He suggested that Dan might be able to secure him temporarily if he had an attractive financial offer for the temporary duty. Dan then secured the services of D. R. McLennan of Duluth. Mr. McLennan came to Chicago, and before long there were three bright minds in conference as to the formation of a new Chicago local agency. Burrows, Marsh & McLennan was born.

C. W. SEABURY of Marsh & McLennan was then office boy for H. W. Marsh, along with C. A. Newton, now a prosperous agent in Los Angeles.

F. H. McElhone of Marshall & McElhone was with Fireman's Fund of Chicago. Fred and John Marshall did so much to save the middle west for Fireman's Fund after the San Francisco fire. It was because of the strict honesty of these two men, their great popularity all over the middle west, and the determination on the part of all managers that Fred and John should not have their business disturbed, that the volume of the company was saved. I know of various instances where state agents absolutely refused to take over Fireman's Fund business when it was offered them by local agents who were somewhat apprehensive over its future.

George M. Lovejoy, then of the Madgeburg, once traveled to St. Louis, set himself up in a suite at the Planters Hotel, and waited for agents to flock in and ask to represent the company. He waited two days and not an agent showed up. George told me that he then learned the time had arrived when the company sought the agent, not the agent the company.

J. H. Washburn, president of the Home, was an affable man and a good mixer. He was never loath to sit down and talk to any state agent on underwriting.

W. E. Mariner of Western Adjustment at one time traveled for a Kansas company. In those days, the state agent made the maps of the newer towns, made the rates, adjusted the losses, and looked after the political interests of his company.

C. F. Shallcross was U. S. manager of Royal when I first met him when he visited Chicago to deliver an address before the Northwest Association. Later he took over the North British and made history for that company.

WHEN I first knew Walter Atwater he was a special agent in Iowa. It was not long before he became state agent of the Grand Rapids Fire, and from there he advanced to Wisconsin state agent of Commercial Union. He was one of the founders of the Blue Goose.

J. V. Parker, a cub fresh from St. Paul and a clerk of the old Sun at Chicago, for many years was manager of the Western Actuarial Bureau. He was keen minded, a square shooter, and most likeable.

W. S. Warren, manager at Chicago of the L. & L. & G., used to drift away from his office every Wednesday afternoon for the matinee.

G. H. Lermit, western manager of Northern of London, was president of the Union in 1912. He was the last man to be elected of the foreign company representation until C. W. Ohlsen of the Sun came into office.

J. W. G. Cofran, Hartford manager at Chicago, was gruff but kind hearted. He generally said what he thought, but he was a square shooter and a great student of the business.

John H. Carr, state agent of the Citizens of Missouri, was a crabby old bachelor until he got married and raised a family. He became joint manager of the Hartford at Chicago with A. G. Dugan. Many times have I journeyed with John to St. Louis where he tried to prove to me that the St. Louis champagne was better than the French importation.

W. R. Townley of British America made life more pleasant for worlds of people. He was constantly on call for the compilation of beautiful testimonials.

George D. Markham, long time local agent at St. Louis, was one of the originals of the National Association of Insurance Agents. George and Bob Markham were sons of W. H. Markham, whose office was directly across the hall from my office in St. Louis. George followed the lines as laid down by his father. W. H. Markham endeavored to interest Hugh Loudon, state agent of the L. & L. & G. and afterwards U. S. manager of the company, in coming into his office as a local agent.

George W. Carter of Detroit was an office boy in the old London & Lancashire office. He lived on the west side of Chicago, but in order to save the 10 cents car fare that was necessary for the round trip, George walked to Monroe and La Salle streets each day. He made good. He went with Marsh & McLennan, and then on to Detroit.

THE officers of the Motor Vehicle Casualty Company extend to their good friend

C. M. CARTWRIGHT

heartiest congratulations and best wishes on the completion of 50 YEARS of faithful service to the Insurance business.

MOTOR VEHICLE CASUALTY COMPANY

Chicago, Illinois

26 Years of Casualty Insurance by Lines

NET PREMIUMS WRITTEN BY STOCK COMPANIES

[Prepared by Arthur W. Riggs]

Year	Accident Health	Fidelity Surety	Boiler Machinery	Glass	Liability	Credit	Burglary	Workmen's Compensation	Auto Prop. Dam. & Collision	Auto Liability	Other Prop. Dam. & Collision
1920	85,055,091	49,054,369	7,478,841	17,411,872	*90,717,482	3,695,954	19,185,595	141,552,665	29,937,612	......	......
1921	58,337,810	61,823,844	8,739,422	14,405,949	*93,640,460	1,742,697	18,130,700	83,139,568	25,362,062	......	......
1922	108,194,937	65,972,863	7,866,959	14,280,873	31,699,118	3,084,918	22,840,276	88,905,901	33,568,427	81,676,356	1,016,577
1923	124,311,003	74,385,802	8,869,531	15,949,587	36,778,346	3,768,300	24,725,336	108,039,799	36,895,307	93,132,793	1,113,898
1924	133,641,162	83,534,846	8,887,997	17,445,328	44,768,347	4,239,573	26,894,746	124,205,015	47,973,701	107,102,417	1,751,035
1925	143,848,371	91,694,280	9,529,956	16,240,433	49,764,738	4,887,766	28,586,019	141,119,277	59,582,465	124,352,375	1,573,358
1926	169,449,286	96,485,038	10,445,041	17,051,245	59,482,805	4,925,525	31,006,802	132,820,478	66,657,802	132,667,608	2,043,574
1927	163,200,166	96,005,762	10,060,818	15,629,181	58,464,215	5,058,966	39,909,664	162,167,705	72,621,385	152,855,354	2,154,880
1928	177,794,780	97,177,671	11,621,241	14,739,348	61,263,420	4,888,110	35,039,882	165,930,724	84,021,920	189,530,659	2,485,081
1929	175,338,937	100,348,326	11,721,926	13,275,274	66,025,674	5,032,283	34,473,282	179,053,919	91,534,128	211,565,430	2,947,423
1930	174,698,350	100,600,449	10,952,424	13,862,025	64,757,575	5,412,354	35,669,266	168,378,843	84,651,510	210,279,776	3,300,655
1931	175,097,394	91,944,205	11,101,371	11,001,936	58,930,325	4,446,473	32,445,623	135,487,547	76,555,636	207,000,421	2,901,470
1932	139,804,867	75,733,215	7,292,543	10,412,576	52,409,964	3,424,306	26,784,942	100,707,123	61,051,796	184,331,751	2,268,974
1933	127,777,553	72,892,200	8,486,849	10,995,378	53,295,730	2,037,427	25,739,284	93,368,813	55,412,575	168,448,700	1,915,976
1934	130,206,386	80,618,415	11,814,632	10,614,055	62,370,473	1,928,846	26,394,571	115,874,506	55,385,440	170,002,747	2,262,723
1935	131,544,800	82,005,099	9,323,679	10,312,045	68,554,679	2,066,426	26,709,406	129,923,782	58,976,585	184,944,449	2,674,734
1936	135,497,057	87,011,449	9,809,729	10,783,803	74,492,592	2,308,050	27,629,221	150,843,869	64,092,015	199,783,976	3,956,998
1937	153,926,150	87,861,410	14,516,600	11,063,142	81,181,746	3,209,955	28,559,747	173,500,789	70,241,497	221,301,274	4,698,931
1938	160,296,747	89,011,786	11,963,556	10,798,068	80,817,382	2,858,179	26,892,657	167,052,641	68,235,236	216,657,731	4,824,673
1939	192,550,211	91,667,687	11,066,686	11,024,819	83,006,776	2,707,203	27,487,581	162,666,510	70,538,582	209,175,471	5,503,616
1940	199,266,001	90,456,476	13,775,738	10,736,405	87,211,758	2,642,764	27,507,712	166,905,539	75,907,881	219,529,632	6,049,984
1941	266,544,240	101,554,240	17,086,220	10,736,836	90,356,559	3,253,413	29,463,283	210,079,600	101,076,491	250,280,605	8,095,151
1942	288,116,614	110,659,881	16,452,427	11,704,744	98,596,639	3,830,830	32,227,341	286,702,419	93,351,550	243,356,865	10,062,469
1943	351,207,020	87,937,795	18,372,130	11,548,654	104,776,797	4,457,255	37,197,381	323,790,369	90,941,082	201,016,688	11,977,880
1944	414,276,679	83,461,982	17,671,143	12,592,821	110,779,258	4,581,105	44,641,394	319,184,938	101,483,141	223,319,349	12,997,512
1945	457,577,270	105,661,249	10,187,789	13,954,152	121,281,088	4,156,883	52,917,354	310,111,143	119,896,383	228,518,499	15,003,794

*Includes Auto. Liability.

Two Inspection Services as They Grew Up in West

The National Inspection Company of Chicago was originally the National Map & Inspection Company, founded in 1903 by what was then known as the non-Union companies, apparently to give them the same services and advantages that the Union companies were getting from the previously organized Insurance Survey Bureau.

The survey bureau was managed for many years by S. H. Lockett, a pioneer in the business, and his methods and policies became the pattern of the various bureaus established in that period. After that bureau went out of business, Mr. Lockett became chief engineer of the Continental in the west, a position he held at the time of his death. It was under Mr. Lockett that J. G. Hubbell, now manager of the National Inspection Company, got his training.

The National Map & Inspection Company, shortly after its inception, became a private institution and assumed its present name under the management of A. G. Hubbard, who was the placer for Phenix of Brooklyn. In 1909 Mr. Hubbard died, and Mr. Hubbell acquired control of the company. It has since been under his direction.

The business grew rapidly and Mr. Hubbell associated with himself H. B. Chrissinger and R. L. Thiele, both of whom had been inspectors for the concern. Some years ago, P. A. Pederson was brought in from the St. Louis office to be chief inspector. Two years ago R. M. Hubbell, a son of J. G. Hubbell and a former inspector, acquired an interest and returned to the staff.

The company makes inspection and underwriting reports on heavy risks throughout the northern Mississippi valley from Ohio to Kansas, Nebraska and Oklahoma and from Tennessee to Minnesota, for agency stock companies only.

It maintains special services for reporting on all classes of business in St. Louis, Chicago, Detroit and Cleveland and their surrounding metropolitan areas.

Resident inspectors are maintained in the larger cities. All told, a staff of some 25 inspectors is maintained.

Nearly all the large companies subscribe to the service of the National Inspection Company in some way. Its reports are regarded as authoritative and of high value as an aid to underwriting.

The Insurance Service Bureau was organized by a small group of western managers who felt that they could not get an adequate and really helpful inspection from field men. They desired to have more information than the mere physical aspects of the risk. They wanted to have an underwriting judgment from the inspector and his recommendation as to the line that should be carried. This bureau in its early history had on its staff some young men who later became prominent in insurance. Mr. Hubbell, himself, was one of the inspectors.

Other inspectors were: R. C. Hosmer, former president of Excelsior of Syracuse, New York; Otho E. Lane, retired president of Fire Association; W. M. Frink, retired U. S. manager of Norwich Union; Carl G. Whipple, who handled the Union of Canton for Marsh & McLennan; E. E. Blodgett; S. T. Johnson; Sacks Barrett; W. B. Rosenkrantz; E. V. Starkweather; H. T. Manlove, Markham & Company, St. Louis; E. E. Wakefield, formerly with Fred S. James & Company; L. B. Holt; Benjamin Chase; W. D. Matthews, former engineer of the Chicago Board; Stewart McDonald, chairman of Maryland Casualty; Walter Johnson; J. M. Harrison, Marsh & McLennan at Minneapolis; and H. M. Beck. Most of these men had a technical education. Many of them were schooled at the Armour Institute.

50-Year Progress of Stock Casualty Companies

[Prepared by Arthur W. Riggs]

		Capital	Admitted Assets	Net Surplus	Net Prems. Written	Losses Paid
Aetna Life	1945	15,000,000	1,152,901,151	90,007,347	37,446,235	28,912,983
	1896	1,750,000	45,577,272	6,711,502	448,479	169,764
Am. Cred. Ind.	1945	1,500,000	10,004,397	5,114,188	2,216,001	243,426
	1896	200,000	390,052	67,904	206,451	76,977
Amer. Surety	1945	7,500,000	38,730,042	11,400,063	12,615,417	3,966,045
	1896	2,500,000	5,272,804	1,693,607	1,169,777	234,342
Contin. Cas.	1945	5,000,000	68,899,951	20,115,326	42,524,101	19,716,546
	1896	100,000	......	60,000	......	......
Employ. Liab.	1945	......	64,205,169	20,302,686	31,006,441	14,817,325
	1896	......	1,119,797	388,189	1,043,183	643,240
Fidelity & Cas.	1945	2,250,000	85,674,169	33,832,117	32,902,889	17,370,750
	1896	250,000	2,474,673	329,444	2,652,053	1,103,373
Fidelity & Dep.	1945	2,400,000	37,523,156	17,425,633	14,152,576	2,287,593
	1896	750,000	1,706,826	596,127	666,414	109,546
Guar. Co., N. A.	1945	......	2,009,013	1,543,423	269,737	43,097
	1896	......	880,926	358,783	198,140	69,728
Htfd. Ste. Boil.	1945	3,000,000	25,301,447	9,587,647	3,664,406	2,137,244
	1896	500,000	2,119,097	316,354	848,980	83,049
London Guar.	1945	......	20,253,428	7,507,706	8,658,943	3,789,492
	1896	......	808,158	305,549	615,700	228,219
Metropol. Cas.	1945	1,500,000	16,207,622	3,666,772	9,929,259	4,840,272
	1896	100,000	452,468	218,876	261,642	110,070
Natl. Surety	1945	2,500,000	39,049,022	21,595,825	12,079,689	2,309,850
	1896	350,000	535,901	60,009	199,507	30,777
New York Cas.	1945	1,500,000	10,283,515	3,250,105	4,168,277	1,626,190
	1896	100,000	311,823	194,809	202,013	73,180
Ocean Accident	1945	......	24,059,983	7,681,953	9,133,109	3,836,849
	1896	......	267,772	239,402	60,288	8,018
Pacific Mutual	1945	1,000,000	203,765,279	11,011,226	5,503,285	3,493,332
	1896	100,000	3,083,952	253,127	272,611	104,699
Preferred Acci.	1945	1,000,000	10,743,204	2,056,674	7,529,227	4,137,158
	1896	100,000	459,877	119,657	812,099	350,975
Standard Acci.	1945	3,518,760	44,486,302	11,654,712	20,785,434	8,953,780
	1896	200,000	818,796	64,501	971,725	523,895
Travelers	1945	20,000,000	1,512,224,246	139,445,763	102,593,618	58,062,780
	1896	1,000,000	3,362,128	459,011	2,820,917	1,373,937
U. S. Casualty	1945	1,000,000	19,684,038	5,668,454	9,289,354	4,340,809
	1896	300,000	640,725	33,104	576,345	218,765
U. S. F. & G.	1945	10,000,000	105,658,798	23,775,652	47,797,396	19,019,591
	1896	261,200	281,421	7,115	3,030	......
U. S. Guar.	1945	2,000,000	26,022,586	12,738,817	5,340,669	1,694,985
	1896	250,000	425,104	85,798	119,678	35,734

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the staff of The National Underwriter upon the completion of fifty years of excellent insurance journalism.

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Insurance is a business founded on stability and dependability. Throughout the years, insurance men have been guided and inspired by an insurance press of inestimable value. Outstanding among these periodicals is

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NEW HAMPSHIRE
FIRE INSURANCE COMPANY
Manchester, New Hampshire

★ ★ ★

GRANITE STATE FIRE INSURANCE CO.
Portsmouth, New Hampshire

Significant Developments in

Auto Liability Insurance

BY A. E. SPOTTKE

THE outstanding developments in the field of automobile liability insurance are, first, the constant effort to refine the rate structure to better fit the cost of the policy to the value received, measured in terms of the exposure of the risk; second, the improvement and enlargement of the coverage afforded under the policy, i.e., the constant effort to make it virtually a complete coverage automobile liability policy; and, third, the continuing tendency on the part of the states to enact automobile safety responsibility laws rather than compulsory insurance laws or to pursue a laissez faire policy.

Although classification rating has been well established in the automobile business for many years in the rating of commercial and public automobiles, there was little enthusiasm until comparatively recently over any proposal to adapt it to the private passenger business. The results of companies which used some form of classification rating on their private passenger business were, to say the least, interesting and convinced most skeptics that this form of rating has its place in the private passenger field as surely as in the rating of commercial and public automobiles. A comparison of the results of companies which used a single classification system with the results of those which rated their private passenger automobiles according to several classifications, indicated that only by classification rating could companies hope to obtain an average selection of business in a highly competitive market. Classification rating, by differentiating between the private passenger car with a high loss potential and that with low loss expectancy because of low mileage, was found to offer the best means for satisfying the good or preferred risk, attracting that risk to the insurance market and thereafter retaining it. As a result of these findings, classification rating was adopted in 1939 by practically all of the companies for their private passenger car business. And while the administration of any classification rating system can never be flawless, the results which have been achieved not only justify the continued use of this plan for rating private passenger automobiles, but emphasize its necessity for maintaining a fair insurance cost structure for all private passenger car risks.

There is no such thing as standing still. The alternative to progress is retrogression and, therefore, it should be our constant aim to anticipate and to fulfill the future needs of the business by seeking ways and means for constantly improving the classification rating plan and its method of application. Several alternatives have been suggested to promote better administration and while none of these is perhaps perfect, they should be judged with an open mind and a willingness to give the promising ones a trial run, for only in that way will it be possible to determine their effectiveness. Cooperation on the part of producers is essential and let it here be said to the credit of the production forces that they have displayed at least as keen an active an interest in developing something effective as have the companies, whose more immediate responsibility it is.

THE automobile policy of today is undoubtedly the best which the business has yet offered for the protection of the insured. There is a growing number who believe that the business can even better serve the public by developing an automobile liability policy designed especially for the individual owner of a private passenger automobile. This is the source of well over half of the premium volume of the automobile liability line of the companies and it is, therefore, a class of insureds which well merits special attention. It has been suggested by producers at different times that the business should offer the individual private car owner a policy which will give him one-hundred per cent protection within the limits at which it is written, for the ownership, maintenance and use of the insured automobile. The only obligations that would repose on the insured would be, first, the furnishing of correct and reliable information on the basis of which the policy is issued; second, the reporting of all accidents; and, third, cooperation with the company after an accident to the extent that may reasonably be required.

Such a policy would in effect be a comprehensive automobile liability policy for the individual car owner and while it would cost somewhat more than the standard policy, it would give to the insured complete protection and that satisfaction which goes with a purchase well made—that comfort and ease of mind which insurance should create—to make the additional cost seem small in comparison. The possibilities of such a policy are being considered by underwriters and policy draftsmen and will continue to receive their attention during the months ahead. In contrast with the present form, such a comprehensive policy would represent a step certainly no greater than that represented by the improvement in the policy to its present-day standard from that of only ten years ago. Reflection upon this only serves to emphasize the fact that the preparation of such a policy is in keeping with the natural progress of the business.

Albert E. Spottke, secretary of the National Bureau of Casualty & Surety Underwriters, has been with that organization since 1926. After completing his engineering studies at Cornell University he became associated with Hudson Motors, Inc., in its sales division and subsequently with the Consolidated Edison Company. He served as assistant to the manager of the automobile division of the Bureau until 1932 when he became manager of the automobile division. In that capacity he acted as chairman of the automobile rating committee and as a member of the automotive council of Underwriters Laboratories, Inc. He became secretary of the National Bureau in May, 1946.

Albert E. Spottke

Automobile safety responsibility laws have gained in strength especially over the last few years and have shown far greater public appeal than any form of compulsory insurance, as is evidenced by the growing number of states with the financial responsibility type of statute. There are now thirty-six states with such laws, all of which preserve the principle of letting the automobile owner who is free from involvements resulting from accidents or certain convictions make his own choice as to whether or not he desires to carry automobile liability insurance. To further strengthen this type of law, the industry will unquestionably consider improvements in the terms and in the practical operation of these statutes.

But the industry can do one more thing and that is offer to the voluntary purchaser of automobile insurance a contract far superior to that which can be imposed upon him today under any form of compulsory insurance. When the situation with respect to the basic automobile liability rates has been satisfactorily adjusted, the industry should turn its attention to the possibility of including, at an additional charge, a sound amount of automobile medical payments coverage as a part of the standard policy coverage. This adjunct to automobile liability insurance, introduced only a comparatively few years ago, has gained rapidly in popularity and has been a boon to policyholders, producers and companies. Anything which is so universally beneficial must have real value and can, therefore, be promoted with enthusiasm. A valuable addition to the coverage and one which is of such immediate and direct benefit to the insured himself and to those towards whom he feels a moral obligation, if not a legal responsibility, will in the eyes of the average insured make the cost of the policy more attractive, notwithstanding a reasonable additional charge in the rate. Even during a period of increased rate requirements, such an improvement in policy coverage offers decided advantages.

THE latest approach to the problem of recompensing innocent victims of motor vehicle accidents by the enactment of safety responsibility laws, consists of legislation which is concerned only with the accident in which the insured has become involved. There is no provision in this latest concept of model legislation for dealing with accidents that may happen thereafter except to require that the automobile owner or operator shall be in the same position of financial responsibility with respect to such accidents as he is expected to be for the first. The emphasis under this approach is on the punitive measures which will be invoked if the automobile owner or operator is unable to take care of the damages levied against him following any accident. His inability to satisfy these damages will remove him from the highways until satisfaction is obtained. By stressing the fact that the automobile owner or operator must always be able to discharge his responsibilities growing out of the accident in which he becomes involved, the pressure is applied at the point where it is believed it will be most effective in prevailing upon the automobile owner always to be financially responsible.

The effect of the safety responsibility laws, especially those which have been enacted during the more recent years, has been to increase substantially the proportion of insured automobiles. It appears that a correlative effect has been to bring into the insurance market many risks heretofore uninsured which have turned out to be among the best risks. This result unquestionably in part accounts for the increase in the proportion of so-called "preferred" or Class A-1 risks which has been observed especially in states with the newer type of safety responsibility law.

Automobile safety responsibility laws have necessitated the adoption by the companies of plans for taking care of those risks which are unable to obtain insurance through normal channels.

By the voluntary adoption of plans to make insurance available for risks which find it difficult to obtain insurance because of their record, the companies have acted to meet public demand. However, they must have the cooperation of the licensing authorities if this program is to serve the public and be in keeping with the policy which is of paramount importance for the success of our business, namely, to operate always with the public interest in mind.

STEADY GROWTH IN USEFULNESS MARKS THE HISTORY OF

The Fraternal Benefit Societies

BY MRS. CLARA B. BENDER

THE fraternal benefit life insurance institution has come a long way in the 75 years since the ideas of fraternal activity and life insurance protection were combined. It now has, in over 95,000 lodges, more than 8½ million members who own in excess of $8 billion legal reserve protection. Its total assets at the end of 1946 probably will exceed $1,800,000,000. More than 25 million men, women and children of all racial groups, creeds and occupations are benefited.

Fraternalism has not only given protection to a great many people, but it has also provided for nearly three-quarters of a century worthwhile social activities, consciousness of civic responsibilities and the obligation to look out for the less fortunate—the ill, destitute, disabled, orphaned, and aged.

In days gone by, the lodge was built pretty generally around adult members, but in recent years fraternals also have been keenly interested in young people; they have recognized that they must secure young members to leaven the generally high age of adult members and furnish virile blood for the fraternal institution of the future. Thus, there have sprung up in a great many societies highly developed juvenile departments with their many activities calculated to interest the modern youngster, and in many societies even separate juvenile lodges. There has developed the juvenile director, often a woman with headquarters in the head office of the society, who is experienced in handling young people. There is also the juvenile magazine as distinguished from the average society's publication designed primarily to appeal to adults.

There has been a great deal of discussion in and out of the fraternal ranks about the part which the lodge system plays in fraternalism. Charges have been made that the lodge system is on its way out, that it is a hindrance to the modern fraternal, is a relic of the dead past, of an era before the coming of the automobile when people were restricted in their movements due to transportation difficulties and were eager to turn to any local medium of entertainment and social life. On the other side are those staunch defenders of the lodge system who say it is the essence of fraternalism, that it distinguishes the fraternal society from the commercial life company, and that it is a means for bringing warring elements in society to the peace table.

FRATERNALISM has been distinguished by its so-called "open contract," and under this contract, which, in time of emergency, permits a society to levy an assessment on all members to make up any deficiency, has given unexcelled service to its certificate holders throughout the recent years of world strife and unrest.

When war came to the United States the fraternal societies generally did not immediately impose a war clause; in fact some of them never took such action. Others for the protection of existing certificate holders thought it necessary to do so. In virtually all instances, as soon as it became apparent the extra mortality due to war deaths was an inconsequential item, the societies began easing these restrictions. In no case was it necessary for any sound legal reserve society to declare an extra assessment to take care of wartime situations.

There are, of course, some smaller societies which have not fully recognized their responsibility to their certificate holders to maintain sound business institutions which are well managed, but practically all fraternals today are on an actuarially sound rate basis and have full time home office executives who are managing their affairs. This compares with the nonresident management of years past where the top positions in many societies were looked upon as "plums" to be handed out at quadrennial conventions without regard to the business ability of the recipient or whether he would devote much time to the post.

Most of the societies have employed either consulting or resident actuaries who constantly maintain touch with the realities of the times. Quite a number of fra-

Pertinent A.A.L. Statistics
(January 1, 1947)

Insurance In Force
Over $365,000,000

Ledger Assets
Over $83,000,000

Total Benefits Paid Since 1902
Over $40,000,000

AID ASSOCIATION FOR LUTHERANS
Home Office: Appleton, Wisconsin

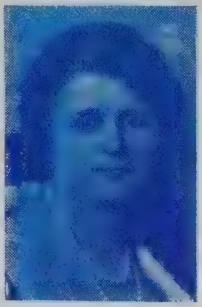
One of America's Leading Fraternal Life Insurance Societies

ternals have been changing over new business to a more realistic interest basis, from the old 3½% the present low price of money are not within the earning possibilities of most societies. A number of societies also have changed their new business to the Commissioners and 4% reserve tables which with Standard Ordinary table which reflects modern mortality.

Mrs. Clara B. Bender, president of the National Fraternal Congress of America, has been in fraternal work for 40 years. National secretary of Degree of Honor Protective of St. Paul, for many years she was active in the grand lodge office of that society in Minnesota, and in 1913 was elected grand president of the Minnesota grand lodge. She became executive secretary of Degree of Honor in 1919. For many years she edited the Degree of Honor "Review", monthly publication sent to members. Mrs. Bender was elected national secretary of the society in 1941.

Long active in the N.F.C. of A., she has served as president of its Press Section and the Secretaries Section. She also is past president of the Minnesota Fraternal Congress and of Rebekah Lodge of the Independent Order of Foresters of Toronto.

Mrs. Bender is a member of the House of Hope of the Presbyterian Church and also is active in the Women's City Club of St. Paul, where she lives. She was born in Minneapolis and took special courses in journalism, publicity and advertising at University of Minnesota.



Clara Bender

Thus by collection of adequate premium rates, maintenance of legal reserves, and writing the open contract, fraternals have maintained themselves in very stable positions. But another reason for their present sound condition, of course, is the state insurance departments' careful regulation of them, to which the fraternals have willingly submitted.

The regulation of fraternals in quite a number of states was more or less open to doubt because the state laws varied greatly and the fraternals always have been considered non-profit charitable and benevolent organizations. However, a number of years ago the National Fraternal Congress of America appointed a committee to work with a similar committee of the National Association of Insurance Commisioners in drafting a uniform fraternal insurance code of laws, and much work was done. It is unfortunate that due to differences of opinion as to the provisions that should be embodied in the code, the commissioners' committee was disbanded recently at a meeting in the east.

A PRIME purpose for organization of the National Fraternal Congress in 1886 was to obtain laws in the various states to regulate fraternal societies. The early fraternal leaders recognized the importance of such regulation where large sums of money were collected and distributed and where high standards had to be maintained. Regulating laws eventually were passed in all 48 states and in the provinces of Canada. It is significant that the fraternal benefit societies asked for this supervision, and they have sought diligently to uphold and obey the laws that were passed at that time and since.

In the last decade, the National Fraternal Congress, organization of 111 legal reserve societies, has become a powerful factor in the effort of the entire insurance institution to secure constructive legislation and avoid the passage of malicious or destructive laws affecting insurance. A driving force in the N.F.C. for more than 11 years is Foster F. Farrell, its manager and secretary-treasurer, in charge of the executive office in Chicago. Depicted above with him at right is Norton J. Williams, president of Equitable Reserve, Neenah, Wisconsin, a past president of N.F.C., who is chairman of the important public relations committee.

It should be noted that numerous fraternals have contributed greatly to the public welfare by building homes for the aged, the sick, and the orphan, and contributing funds and aid to the needy. The tuberculosis sanatoria of numerous societies have done tremendous good. More than 40,000 victims of tuberculosis, cancer, and other diseases received necessary hospitalization and treatment through the fraternal benefit societies all through the years.

Approximately 2,000 children of deceased members of societies annually are provided for through the orphans' homes the societies maintain or to which they contribute funds. Many societies maintain scholarships and educational funds for student members and the children of deceased members, and hundreds of children annually receive substantial amounts from these special funds.

Numerous societies maintain fresh air camps and recreational parks where children of members may enjoy the benefits of outdoor life and special instruction under competent instructors.

Other activities in which the societies have taken part are the advancement and payment of dues for members who find it impossible to meet these obligations, providing food, fuel, and clothing for needy members or their families, supplying nurse and hospital service free to members in distress, paying rent for unfortunate members, sending flowers to the sick and distressed, contributing to community chests, Red Cross, and similar organizations, both in funds and practical support, and making generous donations to fire, flood and storm sufferers. Only a few years ago numerous societies subscribed substantial funds and other practical aid for sufferers in the Ohio River Valley floods.

IT is interesting to note that the National Fraternal Congress of America, which was organized at Washington, D. C. November 17, 1886, by 16 fraternal societies with a combined membership of 535,000 and approximately $1,200,000,000 insurance in force, now represents about 85% of the total membership and insurance in force of the entire fraternal life insurance institutions in this country and Canada.

The organization has developed into one of the most useful and important trade associations in America, and maintains its national headquarters in Chicago, with Foster F. Farrell in executive charge, as manager, secretary, and treasurer. The membership of this organization now totals 111 legal reserve fraternals of the approximately 240 societies in the United States. It is interesting to point out

FRATERNITY IN ACTION

The Woodmen of the World, first among fraternal insurance societies in financial strength, last year achieved its greatest year's growth in membership in 27 years.

Through teamwork of our national, state and local camp officers, field men and members, a net gain of 22,720 members was achieved — the greatest year's increase since 1919.

Our "Fraternity in Action" program, which emphasizes fraternal, civic, social and patriotic service, was an important factor in this growth. Local camps were assisted by our National Service Fund in contributing many services to their communities, the nation and our members.

Spurred by their success in 1946, our officers, members and field men are confident that the society will achieve as great or greater growth in 1947.

WOODMEN OF THE WORLD
Life Insurance Society
OMAHA, NEBRASKA
OUR ASSETS EXCEED $158,000,000
FARRAR NEWBERRY, President W. C. BRADEN, Secretary

that the certificate reserves of the fraternal institution in the United States and Canada as of January 1, 1946, aggregated $1,342,847,443; the total income for the year 1945 was $285,755,470 and total disbursements $183,768,906.

There were 694,240 certificates written in 1945 for total insurance of $704,000,405. The societies paid benefits in that year of $123,459,796, and since organization they have paid, it is estimated, $6,214,225,596.

It should be emphasized that the fraternal benefit societies have been imbued in recent years with their duty to remain alert to modern trends and to merchandise the life insurance protection which they write in the best way possible to give the greatest degree of service to those who buy it. To this end the field representatives of many societies have been highly trained.

A great step in the direction of meeting adequately the insurance needs of the insuring people was made with organization of the Fraternal Field Managers Association, which is affiliated with the National Fraternal Congress of America, and the setting up by the managers group of an educational course and the designation of fraternal insurance counselor (F.I.C.) to be awarded upon examination. This has given a decided professional aspect to the selling of fraternal life insurance and holds much promise for the future.

The fraternal benefit societies, by and large, are thoroughly alive to their responsibilities in this modern day and are eager to maintain the confidence of the people. They believe this can best be done by preserving their unique character which has distinguished them down through the years, but perhaps with such modifications as are needed to meet the demands of these times.

In conclusion, I should like to call attention to the fact that it has always been the aim of the fraternal benefit system to advance social ideals by impressing upon the minds of its members the divine precepts of the Golden Rule, to minister to their needs in a fraternal way by providing home protection through the medium of life insurance, and to elevate citizenship by teaching the lessons of patriotism and democratic principles.

Years Have Proved Soundness of Agency System and Protection

BY DUDLEY DOWELL

FIFTY years ago marked a turning point in life insurance, especially in agency management. Significant changes were taking place throughout the life insurance business and it was no accident that so outstanding an insurance publication as THE NATIONAL UNDERWRITER should have started at that time.

While I am most familiar, of course, with what has happened in more recent years in our company, I have always been impressed by the fact that three of New York Life's most vital developments occurred almost simultaneously a half century ago. It was at this time that the company started its present agency contract—Nylic—and organized the first Nylic field production club. The company also adopted the branch office system of agency management, under which an agent held a contract directly with the company rather than with a general agent.

Each of these developments was an important agency milestone. Together they established the direction in which the company was to travel during the next half century, and they became the foundations for the further changes and improvements which are being made in our agency department today.

To create a strong agency force agents must have a real incentive to develop in the business and to improve their abilities to the fullest extent. The "Nylic" plan of compensation gives an agent this important economic incentive to make life insurance selling a lifetime career. It gives him both immediate and long-range objectives. He is constantly challenged to improve his natural abilities. That this has resulted in greatly improved service to policyholders has been proved by a half century of successful experience. As any modification has been made in "Nylic" we have been impressed by the farsightedness of those who established this plan 50 years ago.

As important as economic incentives are for agents, motivation likewise is extremely important. Certificates, medals and other forms are still important, but the organization of field production clubs was a tremendously forward-looking step. Serving at first largely as a means for agents to get together and exchange experiences, these meetings have advanced to the point where they are now essentially educational training conferences. Thus agents of the same general level of ability at these club meetings have a chance to keep themselves up-to-date on the most recent life insurance developments.

While the first club gatherings were long before my time, I doubt very much whether it would have been possible 50 years ago to have held meetings such as some I attended during 1946 when, for example, we

Success...

OVER THE YEARS!

It is with real pleasure that the Independent Order of Foresters offers its congratulations to the National Underwriter on the occasion of its Fiftieth Anniversary. In the fifty years of successful operation as a wide-spread insurance organ The National Underwriter has provided a valuable medium for the exchange of ideas and information pertinent to insurance underwriting.

Nearly three quarters of a century ago, the I.O.F. inaugurated its protective and fraternal organization. During the years since 1874, it has built up a sturdy, powerful order which serves its members in two ways . . . through its strong protective organization, and through its fraternal bonds, providing not only planned insurance security and health protection to its members, both men and women, but a warm, human bond of brotherhood in its fraternal order.

THE
INDEPENDENT ORDER OF FORESTERS

HEAD OFFICE — TORONTO, CAN.

VICTOR MORIN, LL.D.
Supreme Chief Ranger

TOM ROBERTSON, P.S.C.R.
Supt. of Field Work

JOHN F. LANG
Supreme Secretary

JAMES C. ELDER
Supreme Treasurer

sometimes had three business sessions — morning, afternoon and evening—lasting from 9:30 a.m. to 10:30 p.m. The attainment of club membership has become more than a mark of distinction. It is now an opportunity for agents to improve their knowledge of the business and sales methods.

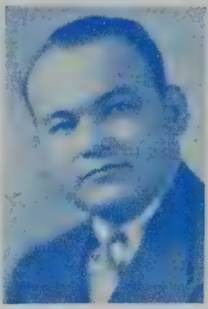
Glancing back at the improvements which have taken place in life insurance selling in the past half century, I am sure all agency men would agree that one of our most outstanding gains has been the emphasis on life insurance to meet specific needs. I can remember when most agents were "policy salesmen". They explained the contract and sold a fixed amount of convenient round figures. Great stress was placed on the net cost, dividend illustrations and competitive advantages over the policies of other companies. There are still agents who sell on that basis, but today's most profitable service is given by those agents who prepare programs in the light of prospect's individual needs for life insurance. Instead of an arbitrary lump sum, he now sells the idea of income—either to protect the family in the event of premature death, or to guarantee funds for retirement.

Not only does he talk needs and sell "packages" instead of "policies", but he goes a step further and sells planned security through a life insurance program. For this great development in our business we are all indebted to such outstanding educators as Griffin M. Lovelace, Solomon S. Huebner and others who pioneered this professional concept of program selling and the theory of replacement of human life values.

Hand-in-hand with "needs" selling, increasing attention has been given to the better selection and training of agents. Not many years ago agency men conceded that there was no way of telling in advance whether a prospective agent would succeed or fail in the business. Managers and general agents built on the principle of hiring as many new agents as possible, giving them a "rate book and a pat on the back", and letting them sink or swim. Although a substantial amount of new business was put on the books that way, and the "law of averages" uncovered a number of excellent agents, we have since learned that this is not only expensive but is also conducive to bad public relations. An agent who does a poor job regardless of the reason, and makes a bad impression on the public, does not hurt himself alone. He hurts his fellow agents; he hurts his company; and he hurts the institution of life insurance. Nowadays emphasis is on quality instead of quantity in recruiting. We want to make as certain as possible that the new agent has a better than average chance of succeeding. After he is appointed, knowledge and training are stressed. Even after he has proved his ability to write life insurance, he is encouraged to continue his studies and to keep abreast of modern methods. The insurance trade press with its many auxiliary publications and study material has become increasingly important in life underwriting, especially as life insurance selling becomes more advanced and as the public begins to expect more in the way of competent service and sound guidance from agents.

It was the missionary spirit of pioneer agents who made the people of America conscious of the need for life insurance. In modern times, however, and especially during the past two decades, there has been more widespread recognition of the place of advertising as a means of conditioning people favorably towards life insurance. Advertising is part of the American way of doing business and today the campaigns of the life insurance companies in general are performing a valuable function in paving the way for the career underwriter.

Dudley Dowell has been a vice-president of New York Life since 1943 and in 1945 he became vice-president in charge of agencies, succeeding L. Seton Lindsay. Mr. Dowell began his career with the company in 1921, as a clerk in the Little Rock branch. After serving at Memphis and then at Jackson, Mississippi, as cashier, and in Little Rock as assistant manager, he was promoted in 1929 to manager of the Montana office. In 1936 he was transferred to Seattle as manager. He served as president of the Seattle Life Managers & General Agents Association in 1939.



Dudley Dowell

In 1940, he became supervisor in the Allegheny department at Pittsburgh and in the following year he was appointed inspector of agencies of that department. After outstanding agency work over the country Mr. Dowell went to the home office in 1941 to become superintendent of agencies and to assist Vice-president Lindsay in agency work. The next year he became assistant vice-president and on Mav 12, 1943, was elected a vice-president.

In reviewing the progress which has been made in life insurance selling, it might be well to point out two important lessons we have learned from experience during the past half century. First, we have discovered that the agency system of life insurance selling has little to fear from competitive methods of providing protection. Government insurance in World War I, National Service Life insurance during World War II, and Social Security generally have benefitted the progressive agent more than they have hindered him. Mail order selling of life insurance has failed. Distribution through savings banks has made little progress, and such progress as has been made is undoubtedly due to the pioneering work of the agents in persuading people of the advantages of owning life insurance.

Second, we have learned that we can make the soundest progress, from an agency point of view, when we stick to selling life insurance. Disability income and annuities, while having their obvious advantages, also have their disadvantages. Agents who over-emphasized them were likely to go on tangents in their selling, and when conditions changed, they found it very difficult to get back on the track. We have learned that by making the sale of life insurance protection our primary business we can go much farther, and do much better, than by stressing the secondary aspects of life insurance.

These are some random thoughts on looking back over the last 50 years of life insurance selling. There are many other developments and changes which have occurred, but to cover all of them would require much more space than is available here. Never, however, to be overlooked as one of the powerful forces in life insurance selling has been such strong and well-edited insurance publications as The National Underwriter. It can well look with pride to the great contribution it has made to the agency side of the business during the past half century.

C. D. Norton Man of Unusual Mentality

One of the most brilliant men in insurance was Charles Dyer Norton, who was connected with the head office of Northwestern Mutual Life. There was a man of abundant and unusual mentality. He was sent to Chicago to become the assistant general agent under Alonzo W. Kimball. Mr. Norton used to dictate to two stenographers at the same time, one on his left and one at his right. He kept his mind perfectly clear as to what he was doing, to whom he was writing, and what he wanted to say.

Mr. Norton found much to interest him in life insurance. Whatever he undertook, he mastered. He brought into the Chicago agency Ralph H. Hobart, who later became a member of the firm of Hobart & Oates, general agency. Mr. Norton later went to Washington as assistant secretary of the Treasury under Lyman J. Gage, former Chicago bank president. He later became secretary to President William Howard Taft. He left life insurance entirely, settled in New York and became one of the officials of the First National Bank. Then he became president of the First Securities Company of New York, an affiliate of the bank.

—C. M. C.

Congratulations TO THE
NATIONAL UNDERWRITER

...The 50th Anniversary Publication of The National Underwriter affords opportunity to recognize the devotion of its time, talent and facilities to fraternal relations among companies, associations and the public. May it prosper and enjoy success in its effort to promote improved public relations.

The MACCABEES
LEGAL RESERVE
COMPLETE PROTECTION

Life Selling Has Become a Profession for Women

BY ELLEN M. PUTNAM

WHEN I came into the life insurance business a little more than 25 years ago it was still somewhat of a pioneer field for women. I heard of Mrs. Florence E Shoal, who was appointed in 1899 by Equitable Society as unit manager of a woman's department in the Boston agency. Other women whom I soon heard about were Sara Frances Jones of Chicago, Bertha Strauss of Pittsburg, Lena Lake Forrest and Georgia Emory of Detroit, Helen Rockwell of Cleveland, Mildred Poindexter Miller of Kansas City, Gertrude Brandwein and Edna Duschness of New York, J. Enola Hewitt of Buffalo and Della Renwick of Rochester, to name only a few.

Ellen M. Putnam has spent her entire life insurance career with National Life of Vermont in Rochester, New York. She has been a leader with that company many times and a member of its production clubs. She is a life member of the Women's Quarter Million Dollar Round table. She served as president of the Rochester Association of Life Underwriters, the first woman to occupy that position, and has been active in its affairs for years. She was chairman of the first women's round table of the National association at Chicago in 1933, and has addressed various meetings and sales congresses. She is a C.L.U. and was president of the Rochester chapter for two different terms. She served as regional vice-president of the American Society. She has written widely for insurance publications.

Ellen M. Putnam

The great influx of women into the business and professional world did not commence until 1910. In 1900 there were only 400,000 women doing clerical work in the entire United States. After World War I many women went into new fields and it was only natural that life insurance should be one of them. Women came into the business from various backgrounds such as teaching, nursing, music, social work and homemaking. Many were widows with families to support. They came into the business because some general agent saw their possibilities for success, or they selected the business themselves because it offered opportunity for practical social service, equal pay for equal work, or an opportunity to build a business for a lifetime. A woman's knowledge of managing a home and a budget plus her interest in social problems have contributed to her success in this field.

Most women started out selling women. As more women came into business and the professions and more wealth came under the control of women, good prospects were everywhere. However, the average successful woman underwriter finds that nearly 50% of her clients are men. Women have proved themselves capable of selling men in the higher income brackets. Sara B. Smith of Fairmount, W. Va., and several other women have been very successful selling group insurance and employe retirement plans.

In all sections of the country in the past 30 years, but especially in the past 15 years, women have been successful agents — paying from a quarter million to over a million dollars a year. There have not been too many million dollar producers. I do know that Ger-

CONGRATULATIONS TO
THE NATIONAL UNDERWRITER

It is a pleasure for Royal Neighbors of America to extend congratulations to The National Underwriter on the occasion of its 50th anniversary.

In half a century The National Underwriter has made outstanding contributions to the insurance industry and to insurance journalism.

The best wishes of Royal Neighbors of America go to The National Underwriter for a future that will write an even greater record of service.

In years the service record of Royal Neighbors of America almost parallels that of The National Underwriter, as the society is 52 years old.

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Over
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Promptly
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1904
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1914
$1,607,332
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$9,275,017
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OBJECTS: To maintain and promote the interest of Americans; to shield them from the depressing effects of unrestricted immigration; assist them in obtaining employment; encourage them in business.

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50 years of

DISABILITY COVERAGE

BY ELSIE ULLRICH

IN STUDYING the subject of conservation, some 50 years ago, the young president of a young life insurance company in Philadelphia became impressed with the fact that permanent disability of a policyholder usually resulted in lapse and subsequent surrender of his life insurance.

The economic retrenchment required when permanent disability overtook the breadwinner made this necessary, yet increased the financial problem of the family when death followed. So, this young president-actuary sought to find a means whereby such a policyholder's life insurance might be saved.

He studied the permanent disability benefits granted by mutual aid societies in connection with the insurance on miners in Germany and Austria in the 18th century, and the subsequent invalidity insurance law of 1889. There had been a growing

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A Profession for Women

trude Brandwein, Sara Frances Jones, Martha Boott, Sis Hoffman, Lillian Josephs, and Hermine Kuhn and a few others have been in this exclusive circle one or more years.

SEVERAL women have done excellent work in managing women's departments. I mentioned Mrs. Shaal of Equitable Society. She died in 1934 and was succeeded by Eleanor J. Felton, her assistant. Mrs. Felton, as well as Corinne Loomis, associate general agent of John Hancock in Boston; Sophia Bliven, former manager of Penn Mutual women's division in Philadelphia and Marion Du Paul, its present manager, all have been successful managers whose divisions have produced several millions each year. Elsie Matthews in Montclair, New Jersey, and Ruth Kelley in Detroit have recently been appointed general agents of Manhattan Life.

Mrs. Shaal started the women's agency for Equitable in 1895 with only two or three women. At that time, women in the life insurance business was an unheard of career, and as a whole, they wrote endowments more than any other contract, and yet one year the large sum of $2,750,000 was written by the women of the agency.

Mrs. Florence Shaal was an outstanding personality, dynamic, fascinating and beloved by all who came in contact with her and she attracted to her agency and to the business fine women who have made a career of life underwriting. Mrs. Shaal was the first woman to be elected to the board of National Association of Life Underwriters.

Mrs. Felton was appointed unit manager for the woman's department under Fitzhugh Traylor, manager. She continued in this capacity until last November, when she retired but continues to look after the interests of her old clients and to write personal business.

Many of Mrs. Shaal's old group still continue with the Society as agents, Miss Bernice Cunningham, Miss Pearl Kinley, Irene Lyall, Hilda Williamson and Alice Hirshberg, to name a few.

Several women have gone into home offices—Stella Gibbs with California-Western States Life, Beatrice Jones with Guardian Life and Hermine Kuhn with Manhattan Life. Mildred Stone went with the agency department of Mutual Benefit after a few months in the field. She is now an officer of the company.

Since the organization of the committee of women underwriters of the National Association of Life Underwriters in 1934 and the Women's Quarter Million Dollar Round Table in 1936, women underwriters get together, exchange ideas and encourage each other to study and do the things which will make women even more successful as career underwriters. In addition to working on committees for these activities, women have taken part in their local associations and several have been elected president. Several women have been active on committees of the National association and in the C.L.U.

In this short article it is impossible to give credit to or even mention most of the 4,000 to 5,000 women agents doing their part in helping to bring financial independence to the people of this country. I am sure I have failed to mention many who most certainly should have been included. I would also like to pay tribute to the women in the home offices and branch offices who have contributed much, often unappreciated, to the smooth running of this great business. We all owe a great deal to those who have gone before, especially to the men of vision who organized this business on a sound basis and to the fine trusteeship which has been maintained with few exceptions for over a century.

We also owe a great deal to the many insurance periodicals such as THE NATIONAL UNDERWRITER that help to keep us abreast of what is going on. As we start the next 50 years may we and they prosper in helping to advance the institution which has brought a high level of security to the public and a satisfying career to us.

realization in Europe among the working classes, at least, that loss of livelihood by disability produced greater misery and poverty than death itself, and that some form of protection must be procured. As a result there had sprung up various organizations having as one of their objects the furnishing of relief in event of such disability. The guilds of England and the Continent represented one of the early attempts to combine for mutual aid in time of trouble. Some provided against occupational-caused disability. The friendly societies in Great Britain granted disability benefits whether caused by disease or accident. In America a number of trade unions and fraternal societies had granted disability benefits for many years. His studies convinced him of the need of a provision to protect the breadwinner's life insurance against prime-of-life disability.

Elsie Ullrich

Elsie Ullrich, secretary of the agency department of Fidelity Mutual Life, is a member of the company's 25-Year Club. For many years she was secretary to Frank H. Sykes, vice-president and manager of agencies. One of the first women in country to receive the Chartered Life Underwriter degree, she is a charter member of Philadelphia C.L.U. chapter and served as its first secretary, a post she held for five years. She was a charter member of Fidelity Mutual C.L.U. association and is now its secretary-treasurer. Also she edits the Fidelity Field Man, the company's agency publication.

And so, with the same pioneer courage that made him dare to found a mutual life insurance organization at the age of 28, this young president-actuary constructed commutation tables from experience gathered from the Subsidiary High Court of Canada of the Ancient Order of Foresters, for which he was consulting actuary, and from other British experience as well as from the experience of a number of assessment companies.

The computed experience formed the basis of rates and in 1896 L. G. Fouse, president and founder of Fidelity Mutual Life, originated the total and permanent disability provision in modern life insurance in America. The first life insurance policy carrying this provision was issued on his own life by the Fidelity Mutual on October 16, 1896. The provision was first called the elective life rider because it gave the insured the opportunity to elect, when he became disabled, either an annuity of the amount that could be procured by the face value of the policy at the age at which he became disabled, or continuance of the policy without payment of further premiums. And from these were developed the waiver of premium benefit and the income provision as they appear in present day policies.

ITS later development and widespread adoption proved that the provision really did fill a need. However, all was not smooth sailing in the beginning. While agents generally advocated its adoption, some company officials opposed it vigorously. For instance, some contended it was not life insurance and should not be included in the life policy, and this despite the fact that its intent was to save the life policy for the family of the disabled breadwinner. Others held that total and permanent disability was a remote probability and that only a short time elapsed between disability and death. However, this question was covered in an article on the total disability provision appearing in the Annals of the American Academy of Political and Social Science in 1915, by Dr. Bruce D. Mudgett, Ph.D., University of Pennsylvania. Dr. Mudgett demonstrated through authenticated experience tables that, at that time, about six out of 100 persons insured at age 25 became totally and permanently disabled during the following 38.8 years, the life expectancy at that age; while at age 40, the corresponding probability mounted to nearly 15%. Furthermore, it was shown that the statement that only a short time intervened between disability and death was untrue in many instances, particularly where persons lost both arms or legs, became insane, totally blind, or paralyzed. And, entirely aside from such consideration, while disability cases that lived for many years might not be important in the aggregate—and therefore not represent a substantial addition to the cost of the risk—the protection offered in such cases was of great importance to the individual concerned.

Again, some insisted that permanent and total disability was too difficult to define, and that agents might misrepresent the benefits provided. But it was soon found that carefully drawn clauses and liberal interpretation of the clause on the part of the company eliminated many of these objections.

Others held that there was no scientific basis for determining the risk involved. This objection disappeared when, within the early years of the use of the provision, the accuracy of the experience tables used was adequately demonstrated. In 1905, in replying to the vice-president and actuary of a large eastern life insurance company which was considering adoption of the disability feature, Mr. Fouse wrote, "our eight years' experience has confirmed the correctness of these rates. Hence in copying them you will make no mistake." Incidentally, in commenting on the disability provision this vice-president said, "It comes as near converting the ordinary contract into idealism as any clause that was ever devised."

IN SPITE of all the objections it encountered, the use of the provision continued to spread. Quoting from Dr. Mudgett's article again—

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Education and Training

A Review of the Past, a Look at the Present, and an Estimate of the Future

BY J. EDWARD HEDGES

LIKE educational and training activities in all fields, the tremendous expansion already evident in the field of insurance a year ago has been accelerated during 1946. The needs of companies operating in all lines to retrain former employes returning from military service, the need for training added personnel to make good the permanent losses suffered during the war years, as well as the desire of returning service people to undertake or resume studies at the professional level, all have contributed to this expansion. The demand for insurance courses in colleges and universities has been, in many cases, more than in proportion to the overflow enrollments which are a matter of common knowledge. Where returning service personnel are concerned, the benefits provided by the GI Bill of Rights have given further support to the demand for insurance education and training of all types and at all levels.

A demand of present proportions a generation ago—certainly two generations ago—must have gone largely unsatisfied. Today, while it has thrown into sharp relief the inadequacies of the preparation of companies and educational institutions alike, the demand, on the whole, is being met in a reasonably adequate manner although the quality of the programs available varies widely. The insurance industry and the institutions of higher learning were, to a large extent, prepared to meet the demands with which they have been confronted during the past year. A variety of programs of study was available, including established, staffed, and operating company training schools, correspondence courses, college and university courses and curricula, the professional programs of study of the American College of Life Underwriters and the American Institute for Property and Liability Underwriters, the Insurance Institute of America program, the National Association of Insurance Agents program, the campus program in life insurance marketing sponsored by the life underwriters and managers' associations, to name those which come most readily to mind. Most of these programs have been the product of the last 20 years; some of them, the last five years. When it comes to study materials—outlines, reading lists, text books, and the like—provision likewise has been reasonably adequate, although, in some cases, requiring adaptation to particular needs. The great bottleneck which has hampered the development of completely adequate programs has been the problem of providing competent instructors with a thorough knowledge of the insurance to be covered and, at the same time, well trained and experienced in the arts of teaching.

J. Edward Hedges is one of the outstanding insurance educators of the country.

J. E. Hedges

After majoring in mathematics and economics at Baker University, he specialized in marketing at University of Kansas, took a Ph.D. degree at Johns Hopkins University in finance in 1936. He taught at the University of Kansas, at Johns Hopkins, and at Emory University, Atlanta, where his work included teaching fire, casualty and life insurance. Since 1940 he has been at the Indiana University School of Business, as assistant professor, associate professor and now professor of insurance. He is widely known for his insurance educational activities, both inside and outside the university. The author of "Practical Fire & Casualty Insurance," "Compensation of Life Insurance Agents" with L. P. Henslee, and numerous articles, he is now serving as a member of the study committee appointed by Governor Bates of Indiana to review and recommend a revision of the state public employes retirement act.

PERHAPS no other business or industry calls on so wide a range of knowledge as does the business of insurance when taken in its entirety. Medicine, engineering, mathematics, accounting, finance, law, business—all are required to a greater or lesser degree by all or several of the branches of the business. Yet in terms of relative number of persons needed, the requirements of what we may call the "business" functions—selling, underwriting, and office work—bulk far larger than the requirements in all other fields combined. In 1940, according to the U. S. census, 45.5% of the persons occupied in insurance consisted of agents and brokers. Of the 47% consisting of office workers, no estimate is available as to those requiring more than an ordinary high school education. Yet undoubtedly a high proportion could perform their jobs better and could advance more rapidly with some training in insurance. In any event, certainly more than half of all those engaged in insurance work require as a minimum a knowledge of contract provisions and their interpretation, application of contract provisions and their interpretation, application of contracts to personal and business situations, rates, rules, and (for sales, supervision, and claims work) applied psychology. And ultimately many should have a much wider range of knowledge, most of which is to be found in the curriculum of the average collegiate school of business.

For the most part, the needs of the insurance industry for persons with training in all fields except those characterized as "business," are supplied by the professional establishments in those fields. Insurance competes with other lines of business or shares with other individuals or business concerns the services of the persons required. Doctors come from the medical schools, attorneys from the law schools, engineers from the engineering schools, mathematicians from the mathematics departments of arts and sciences colleges, or the graduate schools, finance men from schools of business (or from financial institutions).

True, the needs of insurance are served in part by special courses or curricula established by certain of these institutions—special law courses, special mathematics courses and, in at least two universities (Iowa and Michigan), by special curricula designed to prepare students for professional actuarial examinations, and by special engineering curricula such as the program at the Illinois Institute of Technology, leading to a degree in fire protection engineering. In the past 25 years, progress toward similar college curricula in the business phases of insurance has been made. But because of the sheer force of the numbers required, special steps have been needed to supply persons with appropriate training and to continue to train them on the job. The discussion which follows is an attempt to review the history, status, and prospects of education and training work of this type, to indicate its shortcomings, and to suggest possibilities for remedying these shortcomings.

THE MOST immediate problem facing the industry as service personnel in large numbers began returning to civilian life and as wartime manpower controls were removed, was that of training and retraining people to do specific jobs—

"The disability clause must ultimately be tested by its utility in serving the public interest as an insurance measure. * * * The extraordinary growth in popular favor which the disability clause has shown justifies the belief that there are very good reasons for its existence."

By January 1, 1912, a disability clause in some form was being issued by 135 life insurance companies out of the 239 United States companies and two Canadian companies doing business in the United States. And these 137 companies represented, in all, 79% of the life insurance in force in the United States at that time. It was becoming quite evident the public believed the risk of total and permanent disability was a real and tangible one—particularly as it endangered the permanence of one's life insurance.

Now, 50 years after its first issuance in an American life insurance policy, the total and permanent disability provision is issued in some form by practically every life insurance company operating in America.

It has become popular not because the company and the agent demanded it for business reasons, but because the policyholder needed it for economic reasons—in other words, it fills a human need.

ANCIENT ORDER OF THE UNITED
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Established 1879

LEGAL RESERVE LIFE INSURANCE
FAMILY PROTECTION WHEN NEEDED MOST
AGES 18 TO 40—$2500 MINIMUM COST
DOUBLE INDEMNITY PRIVILEGE
OTHER ADULT AND JUVENILE PLANS

Home Office: Newton, Kansas

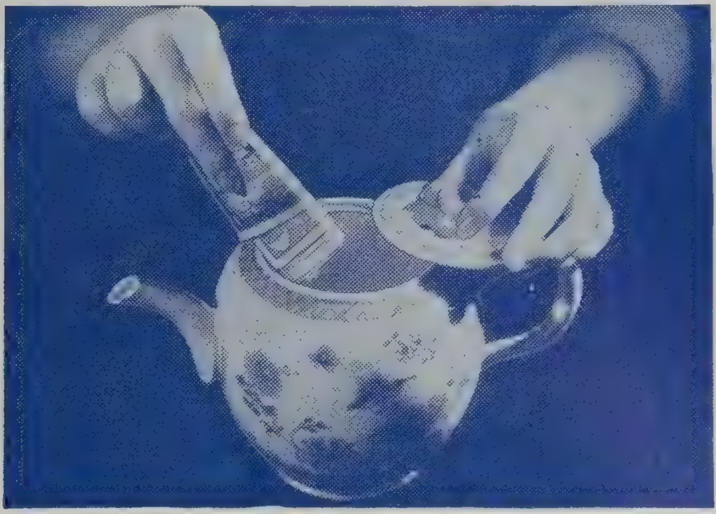
quickly. Nearly all of the life companies, for years, have had training courses for new agents, in some cases conducted in the branch office or general agency; in others, at the home office. These were reactivated or expanded and special programs were designed to provide refresher training for agents returning to the business. One company, Equitable Society, reactivated its cashier training program which had been suspended during the war. In the fire-casualty field, Travelers and Aetna, life affiliated companies, the earliest to establish full-scale home-office "schools," stepped up their programs from a few classes each year to full time, continuous operation, training both company field representatives and agents and agency employes. U. S. Fidelity & Guaranty and others with established schools did likewise, and a number of others, including National Surety, Continental Casualty, General of America, the North America Companies, to name a few, established and placed in operation, similar schools. Companies affiliated with the American Mutual Alliance, following a series of three-day institutes sponsored by the Alliance before the war, have, in a number of cases, developed their own training schools. During the past year the Mutual Insurance Institute inaugurated a series of four-week resident training courses for employes and agents. In nearly all cases, the more intensive and formal phases of training are followed by continuing training by correspondence, administered by the branch office, or carried on by the company through state or district meetings lasting from one to several days. The "graduates" of such courses bulk larger and larger in the fire-casualty field forces of the country.

IN AN effort to provide a vehicle for practical training of the agents who constitute its nation-wide membership, and to whom, in many cases, on-the-spot courses were not previously available, the National Association of Insurance Agents in 1941 established its educational division. The 100-hour course covering contract provisions, rules, rates, and practices in fire, inland marine, and casualty insurance and surety bonds developed by George W. Scott, its first director, with the assistance of a number of company experts has, in the five years since its introduction, reached (according to the latest information available to the writer) 7,936 individual students who have enrolled in 892 of its "unit" courses sponsored by 169 separate study groups in 37 states. A total of 377 persons have received the N. A. I. A. certificate award for satisfactory completion of all of the ten unit courses which make up the program, 237 of whom have qualified during the past year.

With the appointment in April of Richard E. Farrer as director of the educational division, a revision of the program has been initiated, involving an expansion to encompass considerably more class time than the original "100-hour" designation implied. This course has been renamed the "Standard Course" and an introductory course is soon to be released. Classes are conducted by discussion leaders, drawn from the ranks of company field men, teachers in company schools or educational institutions, agents and brokers—in short, from wherever competent persons can be secured. Course outlines and other study materials are furnished by the division, manuals by the students, and policy forms usually by the discussion leader. Examinations are provided by the division, and papers are graded under its direction.

STARTING in 1939 with a course in "Rural Life Underwriting," sponsored by the Insurance Research & Review and the Indiana Association of Life Underwriters, there emerged last year at Purdue University, as a part of the specific job-training program of the university's technical extension division, the course in life insurance marketing. Sponsored by the Indiana and National Associations of Life Underwriters and the managers' associations, the course consists of three sessions of campus training in basic, intermediate, and advanced life insurance marketing totaling 14 weeks, alternating with periods of 12 to 14 weeks of field work with the company by whom the student is employed. The records of those who enrolled in the 1945-46 classes have proved the value, in terms of efficiency and volume, of specific job-training of this type. Bert C. Jaqua, first director of the Purdue course, has initiated a similar program at Southern Methodist University and has been replaced at Purdue by Horace R. Smith. Interest among educational institutions has been widespread and a number of institutions conducting job-training programs and having the facilities for their housing and ad-

MUST SHE do this for future Safety and Security? Or . . .



. . . will you give her this Catholic Protection through the C.O.F.?

EVERY WIFE and mother is constantly "putting something by for a rainy day"—because safety and security in the future is needed if she is to have real happiness now.

Money hidden in a teapot doesn't amount to much, and it is frequently used to meet the little emergencies of daily life. A more substantial financial arrangement is urgently needed.

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The best is yet to be"

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SUPREME FOREST WOODMEN CIRCLE

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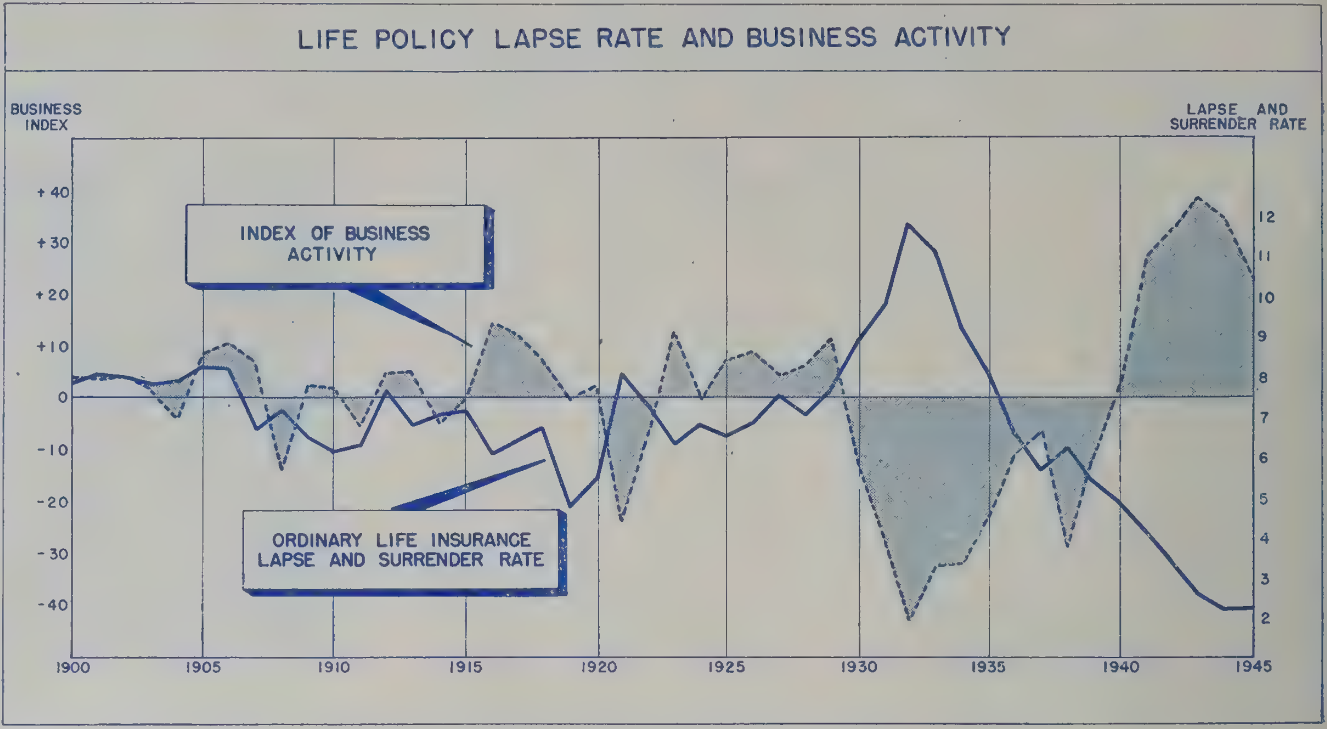
OMAHA, NEBRASKA

It is a privilege to provide, as we have for the past 56 years, sound legal reserve protection in conjunction with well-rounded fraternal programs for more than One Hundred and Forty-Four Thousand members.

ministration are contemplating similar courses.

THE Insurance Institute of America, formed some 36 years ago, prescribes courses of study in casualty, fire, life, and ocean marine insurance and surety, gives examinations covering the two to four courses making up each curriculum and awards certificates to those who satisfactorily complete the various curricula. Since its inception, the Institute has awarded 3,500 certificates, distributed among the different curricula. Courses are offered through study groups formed in various parts of this country and Canada by associations, societies, and company offices. Though classes were suspended in some localities during the war, the past year has seen many previous groups reactivated and new ones formed. The Institute also offers correspondence courses in general principles, casualty, fire, and inland marine insurance. Possible expansion or modification of the Institute program is now contemplated, pending analysis of the results of a survey of educational opportunities undertaken for the Institute last year by the Wharton School of Finance & Commerce.



Institute of Life Insurance "Fact Book," Spectator Year Book, and Cleveland Trust Company.

MUCH credit for the growth of insurance education and training through the years is due to the Insurance Societies in the larger cities, including those of New York and Philadelphia, both of which were formed in 1901, which have provided courses in the technical aspects of the business, in many cases in preparation for examinations given by other institutions, and to the Insurance Library Associations in the larger cities, which in many cases likewise have offered or sponsored courses of a similar character. The ranks of company specialists and educational institutions again have been drawn upon for instructors. Courses of this kind, like all others, have been adapted to current needs and, during the past year to 18 months have enjoyed a tremendous expansion.

Space does not permit more than passing comment regarding the wide variety of courses made available to companies, associations, and other groups and individuals by the insurance press. Those offered by the Insurance Research & Review of Indianapolis in the field of life underwriting, Taylor Publications of Indianapolis in the fire-casualty, accident-health fields, the National Underwriter Company in the fire-casualty and life fields, and many others, are serving a growing market.

THE programs discussed thus far, for the most part, have as their objective the preparation of individuals to perform specific jobs more efficiently. This objective, while in some respects more immediate, falls somewhat short of the broader purposes of professional training. The former, appropriately, is more concerned with the "how" of insurance —contract provisions, forms, rates, rules, methods of meeting particular needs and of selling appropriate coverage, practices, procedures, and the like—while the latter contemplates the "why." Professional training, of course, must deal with contracts, procedures and practices, but of necessity is more concerned with broadly applicable principles than with specific practices. It deals with the institution as a whole, its place in economic evolution, its relationship to other economic institutions, its social implications and significance. In short, professional training aims to prepare the student to serve the industry's clientele wisely, to persuade him of the importance of serving it unselfishly, and, as regards management functions, to enable him to reach sound policy decisions which, in the long run, will benefit the industry as a whole by maximizing its contribution to economic and social well-being.

The American College of Life Underwriters and the American Institute for Property & Liability Underwriters, both conceived by Dr. S. S. Huebner, professor of insurance at the University of Pennsylvania, and established through his leadership, are the dominant institutions in this country for the achievement of professional standards in insurance. Not only do these establishments prescribe and examine for educational qualifications, but also set standards for experience, effectiveness, and moral character.

Fields in which proficiency is required include, in addition to insurance principles, methods of adapting coverage to needs, selling, principles of economics, government, sociology, business law, wills and trusts, banking and finance, accounting, and management, with emphasis varying as between the two areas of life and property, but in each case arranged in five separate parts for examination purposes. No courses are offered but reliance for course work is placed upon local institutions such as colleges and universities, underwriters groups, company groups, institutes, and, of more and more importance, the local chapters of the societies composed of those who have received the professional designations of C. L. U. (Chartered Life Underwriter) or C. P. C. U. (Chartered Property & Casualty Underwriter).

The American College, founded in 1927, this year celebrates its 20th anniversary. Since its inception, 2,794 persons have completed the entire series of C. L. U. examinations. Another 3,765 have credit for the successful completion of one or more examinations. The number of examinations taken increased year by year up to 1939 when the high point of 1,746 was reached. During the war a low of 706 was registered, in 1944, but substantial progress has been shown in the last two years, with 1,365 examinations taken in 1946.

Organized much later, in 1942, the American Institute has awarded the C. P. C. U. designation to only 88 persons. However, 42 of these qualified in 1946. Since the first series of examinations in 1943, 1,477 have been taken by 467 persons. In spite of the war, the number taking examinations has increased steadily each year and in 1946 reached 271. With the return of personnel from the armed forces and the organization of new study groups, and with the active support of the newly formed American Society of Chartered Property & Liability Underwriters, acceleration of the progress of the last few years may be expected in the years immediately ahead.

Not the least of the benefits flowing from the establishment of professional designations in insurance, is the promotion of professional ideals by the organizations formed of those holding the designations. The postwar program of the American Society of Chartered Life Underwriters, epitomized by the title of a pamphlet issued by the Society late in 1946—"C. L. U. on the March"—includes a variety of activities which must inevitably advance insurance education. Last summer, at the University of Connecticut, was held the first of a series of "institutes" for advanced study by C. L. U.s. Under the active encouragement of Frederick W. Floyd, now for nearly two years executive secretary of the Society, seminars on advanced life underwrit-

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ing problems and forums on public affairs under the sponsorship of local chapters are being actively promoted. Another outstanding accomplishment of just the past few months has been the launching of the scholarly "Journal of the American Society", a vehicle for making available to the business and educational institutions alike, results of the best thinking and research on current problems affecting insurance. Only as the volume of such materials grows can education reach its highest goals.

CLOSELY associated with the concept of professional preparation for insurance, is the training available in the country's colleges and universities, particularly in schools of business. Half a century ago, insurance courses as such were unheard of, and even as late as 1920 only a handful of such courses existed. With the widespread establishment of schools of business throughout the country, however, the situation changed and, along with courses in other specialized business fields, insurance courses began to multiply. Today, nearly all the larger institutions offer work in insurance, providing for more or less specialized training in the various fields. All schools of business and most colleges offer a substantial part of the work in related fields needed for well-rounded professional preparation. More and more of the courses taken in preparation for the professional designation are given under the auspices of educational institutions, while more and more of those who take examinations have had their basic preparation in full time residence work in such institutions.

Ultimately it seems safe to predict that professional training for insurance will become a regular function of the nation's collegiate schools of business and that the bulk of those entering the business on a professional basis will have been so trained. Yet the fulfillment of this prediction must be predicated upon the availability of an adequate supply of trained and experienced teachers to conduct the basic courses in insurance. So far, teachers have been recruited from the ranks of those with academic training in business and economics, but without highly specialized preparation for insurance teaching, and from the business of insurance itself, frequently by part-time appointments. More and more candidates for advanced degrees, however, are securing training in insurance and the state of the market for insurance teachers makes such specialization attractive. An important impetus to such specialization in the life insurance field was supplied by the joint action of over 60 life insurance companies to establish, in 1941, the S. S. Huebner Foundation for Insurance Education. The sum of $25,000 per year for an experimental period of five years was made available and has been used for graduate fellowships and scholarships awarded to teachers or prospective teachers of insurance, establishment of a circulating insurance library, and grants for the publication of worthy research papers.

UNQUESTIONABLY the influence of the veteran bulks large, both quantitatively and qualitatively, in the current educational scene. Veterans in large numbers have resumed educational and training programs interrupted by the war. Educational benefits available under the GI Bill have facilitated this resumption. These same benefits have insured participation in many "refresher" courses developed by companies, associations, educational institutions and other groups. However, many refresher programs not qualifying participants for benefits also have been undertaken and carried out. But in the case of nearly every educational or training program, the special needs of the veteran have been taken into account. This, certainly, is but a transitory phase and the purely refresher activities will doubtless be dropped when the need has passed.

Perhaps the greatest influence of the veteran, in quantitative terms, has been felt in the area of job-training for the beginner. Company training programs, far and wide, have been approved by state approval agencies for veterans on-the-job training so as to qualify the veterans for subsistence allowances. New programs have been devised and approved so as to permit a satisfactory financial basis for the veteran's introduction to the business. In many cases, courses offered by educational institutions or sponsored by associations, local boards and the like, have formed a part of such on-the-job training programs and have enjoyed increased enrollments as a result. Whether on-the-job training on the present scale will continue when GI benefits are no longer a factor is problematical. Doubtless many plans will be abandoned and, indeed, perhaps they should be, since they were designed to meet the problems created by personnel shortages due to the war. It seems likely, however, that the importance of job-training is likely to be more widely recognized as a result of the present situation and that the experience now being gained will produce more effective training in the future.

FROM the foregoing review it must be abundantly clear that the insurance industry and the country's educational institutions have accepted the challenge of the times and have gone a long way toward meeting the current demand for education and training. That present needs are being met as effectively as they are is due in no small part to the pioneers in insurance education—those who taught the first courses, on and off college campuses, those who wrote the early textbooks, who prepared the first study outlines and reading lists, who promoted and developed the first insurance libraries, and who conceived

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Several Additional States Opened This Past Year and More to be Opened This Year

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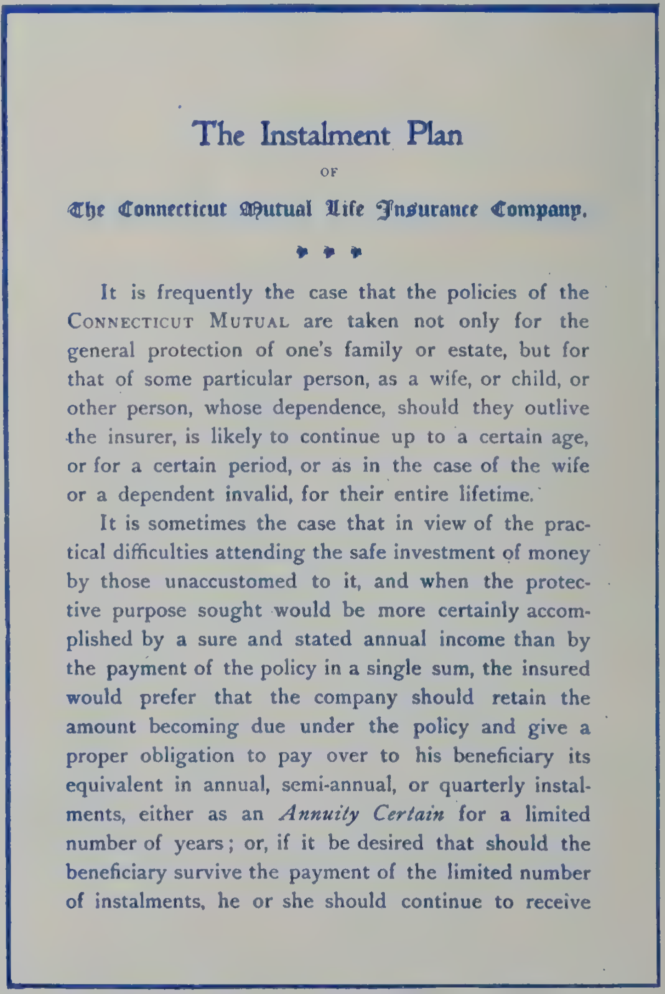
and developed the concept of professional preparation for insurance, as well as to the constantly growing numbers who have joined the ranks and carried the work forward.

Yet in spite of the progress that has been accomplished, one may easily get the impression that the current situation presents a sort of patchwork, with no strong integrating or unifying force or pattern—and such an impression would not be completely unfounded. As now constituted, insurance education is characterized by a variety of programs, each based on its own conception of the functions it should perform, with scope, emphasis, methods, and techniques calculated to achieve the ends desired. But the programs are there—and they are operating. Perhaps what is needed most of all is some differentiation of function—some refinement of scope. While a complete pattern will not be suggested, this much may be said: Specific job-training is the primary responsibility of the industry itself—the companies, the agents, and their associations; intermediate level training can best be accomplished by associations within the industry, often with the cooperation of educational institutions; professional training ought ultimately to be the function of educational institutions, primarily, but always, with the counsel and cooperation of the industry.

If anything is to be learned from the experience of the other vocations which have attained professional stature, a sound program of college training must form the basis of any movement designed to raise standards of proficiency to professional levels. In the colleges are found the specialists who can give sound training in the background fields of English, government, sociology, and economics. In schools of business may be had the necessary work in the related fields of law, accounting, and finance, as well as insurance principles and practices. And such training in the "whys," the significance, the interrelationships, as well as the principles and practices, will promote professional performance in the business through the people who enter it with such training. The same program will, on the campuses, promote the objective research which will assist in solving many of the problems of the business and help expand the horizons of future management, which will be so necessary if the business is to meet the challenge of a changing world.

The earliest reference to use of life insurance for business purposes is contained in a work by Gerard Malynes, "The Ancient Law Merchant," published in 1622. The instance cited is that of a person who borrowed money to purchase an office and took a policy so that in case of his death before repaying the loan his creditors would be able to recover from the proceeds of the insurance.—History of Life Insurance in the United States to 1870, Charles K. Knight.



The Instalment Plan

OF

The Connecticut Mutual Life Insurance Company.

* * *

It is frequently the case that the policies of the CONNECTICUT MUTUAL are taken not only for the general protection of one's family or estate, but for that of some particular person, as a wife, or child, or other person, whose dependence, should they outlive the insurer, is likely to continue up to a certain age, or for a certain period, or as in the case of the wife or a dependent invalid, for their entire lifetime.

It is sometimes the case that in view of the practical difficulties attending the safe investment of money by those unaccustomed to it, and when the protective purpose sought would be more certainly accomplished by a sure and stated annual income than by the payment of the policy in a single sum, the insured would prefer that the company should retain the amount becoming due under the policy and give a proper obligation to pay over to his beneficiary its equivalent in annual, semi-annual, or quarterly instalments, either as an *Annuity Certain* for a limited number of years; or, if it be desired that should the beneficiary survive the payment of the limited number of instalments, he or she should continue to receive

Connecticut Mutual announced adoption of the deferred settlement agreement, as indicated above, in 1899.—From "The First Century."

1896-1946—The Actuarial View

Business survives and gains strength and skill from wars, depressions, epidemics and economic changes

BY PEARCE SHEPHERD

A review of the last 50 years brings home forcibly that the achievements of life insurance on this continent are no accident but are the result of environment and team effort.

Nowhere but in an atmosphere of independence, ambition, enterprise and progress could life insurance find such a need and ready acceptance of all it offers to society. And it is not claiming too much to say that the thrift and self-reliance developed by life insurance have been and will continue to be a big factor in maintaining our way of life.

No one member of a team can claim credit for the team victory. But the actuary, who had something to do with writing the rules of the game, serves as referee and head linesman and acts as coach as well as player, can claim a fair share of the honor that rightly belongs to our life insurance team. I know I will be pardoned by the other members if in what follows the role of the actuary appears too prominent.

Life insurance had enjoyed a comparatively slow growth prior to the end of the Civil War. The inflationary period which followed that war led to rapid growth and the promotion and exploitation of new companies. This period ended with the panic of 1873 and the depression which followed resulted in the failure of the majority of the new companies and loss of confidence on the part of the public in all. This in turn led to the assessment insurance bubble. By 1896 the wreckage of this experiment was being cleared up, confidence had been restored in legal reserve life insurance and the industry was ready to experience its greatest period of sound growth.

The Actuarial Society of America was founded early in 1889. It was the first of the many life insurance organizations of a cooperative nature that were to have so much to do with the progress of life insurance in the next 50 years. At the end of 1896 the Society was composed of 101 members and it was ready to begin its program of education and examination for the development of actuaries in the next year.

The actuarial profession on this continent inherited much from the Institute of Actuaries, founded in 1848 in England, and the Faculty of Actuaries in Scotland. These bodies had developed text books and their papers and discussions gave our early actuaries a solid foundation in the fundamentals of actuarial science. Later some of the leading actuaries of Great Britain came over from England and Scotland to take an active part in the growth of insurance here. The early actuaries of those days are well known to us today because their work was of lasting importance. Homans, Fackler, McClintock and others deserve much credit for bringing life insurance through the early trying years of this period.

The development of new companies in the West and South in the early part of this century led to the formation of the American Institute of Actuaries in 1909 with 64 members. This group was organized to deal with all the actuarial and practical problems of these companies. It deserves a prominent place in actuarial history because the growth and sound development of these companies is one of the outstanding features of the last 50 years, and the Institute can claim much of the credit for it.

In the United States in 1896 there was less than 6 billion dollars of insurance in force in the 46 legal reserve companies operating at that time. Assessment life associations that had survived carried a much smaller amount of insurance but fraternal orders numbering more than 600 carried at least as much insurance as did the legal reserve companies.

That is the background against which we are to measure the achievements of the 50 years that followed.

One thing that has been clearly demonstrated in the last 50 years is that permanent individual insurance should be on the level premium basis.

Assessment companies gained quite a following at one time and the idea of "paying-as-you-go" and "keeping-your - reserve - in - your - pocket" has natural appeal. Some insurance organizations still operate on the assessment principle though there have been periodic demonstrations of the inherent unsoundness of assessment insurance.

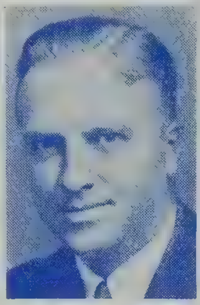
A Tribute
To Our Friend And Counselor
C. M. CARTWRIGHT

The Officers of the North American Life Insurance Company join with many others who, on this occasion, pay tribute to C. M. Cartwright for the constructive part he has played in rendering a service which has made Life Insurance one of the sturdy foundations of our social structure.

NORTH AMERICAN LIFE INSURANCE CO.
E. S. ASHBROOK, President-Treasurer
CHICAGO, ILLINOIS

The figures show that assessment insurance organizations have decreased to a small number today, and the amount of insurance they all carry is equal to that in force in only one reasonably large legal reserve company.

Pearce Shepherd, second vice-president and associate actuary of Prudential, cut his actuarial eye teeth while still a student at the University of Chicago. Having developed a bent for mathematical problems as an undergraduate, he joined the staff of Marcus Gunn, Chicago consulting actuary, while he continued to work for his Ph. B. degree.



Pearce Shepherd

In 1925 he left Chicago and moved to New York where he joined North American Reassurance and rapidly advanced to the position of assistant actuary and assistant secretary. He resigned from North American and became associated with Prudential in 1932. In his present post, his responsibilities are primarily in the field of underwriting problems and investigation of mortality and disability.

Actuarial work is a habit in the Shepherd family. One of Pearce's brothers, Clinton O., is actuary of Travelers, while his other brother, Bruce E., is manager of the Life Insurance Association of America. All three are fellows of the American Institute of Actuaries and the Actuarial Society of America.

Fraternal associations have for the most part departed from the assessment principle and are operated as legal reserve companies. Their number has decreased to less than a third of what it was at the beginning of our period and their amount of insurance has increased only slightly over that period.

The growth of legal reserve life insurance or level premium life insurance demonstrates conclusively that it is the only sound form of permanent individual insurance. It is the only form of insurance that has gained the confidence and kept the confidence of the public. Its record is a demonstration that actuarial principles are sound and essential. Actuaries could and did predict the failure of assessment insurance. The events of the last 50 years leave no doubt that they were right.

ONE of the achievements of life insurance in the last 50 years has been the development of group life insurance. This form satisfies the demand for low cost coverage which gave rise to assessment insurance but it is operated on sound actuarial principles and therefore has been successful.

There was no such thing as group insurance in 1896, although the principles were conceived not long after that. The following quotation from a letter written May 3, 1901, by the actuary of the Prudential is perhaps the earliest attempt to outline insurance on the group plan.

". . . we give below a general outline of a proposition such as we would make: A contract between the Company and the corporation in question to be drawn whereby the Company agrees to insure without medical examination all present and new employes of the corporation. The date when such insurance is to take effect where new employes are concerned or in cases where employes have been in the service for a short period only is a matter for the corporation to determine. For obvious reasons we would, however, suggest that the privilege of insurance be conditional upon at least one year's service with the corporation. The insurance to be on the Yearly Renewable plan. Individual policies to be issued subject to the terms of the contract, and the amount of insurance on the life of each employe to be $250. The premiums to be calculated at nearest birthday upon the basis of the enclosed table of rates, and to be paid by the corporation annually in advance. The insurance to be cancelled immediately upon the termination of service of an employee, except where the cause of such termination is sickness, when the insurance may be extended for three months after termination, provided, however, that the ex-employe does not enter other service during that time. . . . the Prudential would reserve the right at any time, on thirty days' notice to discontinue the table of rates referred to above as to new insurance and adjust the rates as it may deem necessary; the old insurance, however, to be continued at the original rates. . . ."

Group insurance got its real start in 1912 and in the comparatively short period since has grown to the point that 15% of the insurance coverage is carried on this plan.

Originally designed where there was an employer-employe relationship, the same sound actuarial principles of sharing the cost and minimizing self-selection has resulted in its adaptation to coverage for short term indebtedness and experimental extension to longer term indebtedness. Additional benefits covering accidental death and dismemberment, sickness and accident coverage, hospitalization, surgical benefits and medical reimbursement coverage have been developed in recent years to extend as widely as possible these badly needed protections against these risks. Actuaries have always been prominent in group insurance activities and probably always will because the problems in this field are always new and challenging and the actuary is best equipped to meet them.

Over the course of the years the character of the population of this country has changed. The much larger proportion of people at the older ages which we now have and the forecasts for even larger proportions have emphasized the problems of old age. The growth of industry on a large scale with relative stability over the years has led to employes with long periods of service. The problems of old age have become the problems of industry.

The actuaries have met these problems by developing group annuity coverage and pension trust coverage. Fundamental pension actuarial science is as old as any form of actuarial

The COLUMBIAN NATIONAL
LIFE INSURANCE COMPANY
OF
BOSTON, MASSACHUSETTS

COMPLETE PERSONAL INSURANCE SERVICE
Life — Accident & Sickness — Group — Special Plans

A New England Institution

CHARTERED BY THE COMMONWEALTH OF MASSACHUSETTS
OFFICES IN THE PRINCIPAL CITIES OF 27 STATES
OF THE UNION; AND IN THE DISTRICT OF COLUMBIA

science but its adaptation to current conditions is something again that should be credited to the actuaries. In recent years the demand for actuaries in this field has far exceeded the supply. The demand comes not only from the insurance companies but from the brokers and consultants who furnish advice and service to their clients in industry and also from the large employers themselves.

The problems of old age developed to the point where some form of government coverage seemed desirable and Social Security was established. In establishing a sound system of old age and survivors insurance the actuaries were called upon for advice and guidance. They have continued to help in the actual administration of the plan as well as in giving sound advice to those anxious to extend the benefits of this coverage as widely as possible. Certainly any attempt to grant total and permanent disability coverage should not be undertaken without asking the advice of actuaries who learned so much and so expensively about this field in the last 25 years. Experiments are being made in granting cash sickness benefits and here again we find that the actuaries take a prominent part in seeing that any such government insurance is on a sound and fair basis.

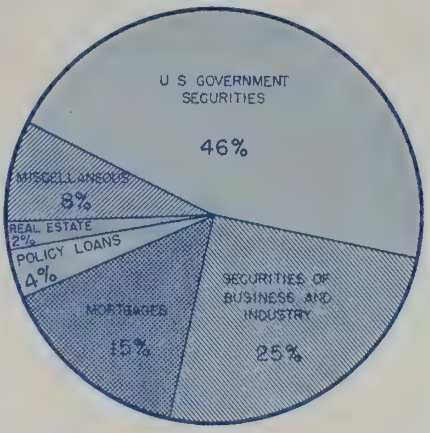
Insurance offered by the federal or state governments against old age or against sickness or against total and permanent disability can never be much more than on a subsistence level. Much more insurance has been sold because of Social Security than has been lost because of it, and it is safe to say that there will be room for private coverage on an individual basis where adequate protection is needed.

Early actuarial discussions pointed out that unemployment was not an insurable risk. Nevertheless, we do have so-called unemployment insurance today operated by the states. It remains to be seen whether this coverage will fulfill its purpose when put to the real test.

A development of recent years that deserves mention at this point is hospitalization insurance, offered by associations of hospitals. Their entry into the field has undoubtedly led the group-writing companies into this and related fields more rapidly than might otherwise have been the case.

IT is in the field of individual insurance that life insurance has had its greatest growth in the last 50 years, growth not only in insurance in force but in assets as well.

Industrial insurance was in its infancy in 1896 with less than a billion dollars in force on that basis in only 11 companies. Today there is 30 billions of insurance covered by over 100 million policies in over 100 companies. This widespread coverage has done much good not only in itself but in paving the way for ordinary insurance. The policies have been improved, the selling and servicing have been improved and the cost has been kept reasonable when all factors are taken into account. Industrial insurance serves a real purpose in our economy.



1945 LIFE INSURANCE ASSETS
Institute of Life Insurance "Fact Book."

Ordinary insurance will total well over 100 billion dollars at the end of 1946 and there will be several companies with more insurance in force at the end of 1946 than all companies had at the end of 1896.

The hand of the actuary can clearly be seen in some of the features that contributed to this growth.

Settlement options were developed to insure that insurance succeeded in its purpose. The security afforded by a certain income, guaranteed for a certain period or for life, furnishes the basis for the larger amounts of ordinary that are sold for family protection. They express the need for insurance in terms of adequate income and show how pitifully small the large sounding "$5,000 or even $10,000" really is.

The development of settlement options is a result of teamwork but the carrying out of the contract is a purely actuarial problem and in some respects an actuarial headache. It involves assumptions as to interest and mortality far in the future and seeing that the promise is fulfilled fairly and adequately challenges our ability.

Waiver of premium disability benefits were designed again to insure that life insurance fulfilled its purpose and did not have to be dropped just when it was needed most. The extension of disability coverage to the point where income benefits were paid was a logical one. Unfortunately, the actuaries did not reckon properly with the public and our courts in determining the rates that were necessary and the limitations that were required in offering that coverage, and the experience was altogether an unhappy one. The lessons were learned but the loss was so great that for the most part this coverage has been withdrawn by the life insurance industry. There is a sound basis for it and a need for it, and it is quite possible that some time in the future there will be renewed activity in this field.

The extension of an additional benefit payable in event of death by accidental means to life insurance contracts was a natural one because it supplemented the small amount of coverage that was available and was

The Lutheran Mutual—

Congratulates C. M. Cartwright and The National Underwriter for Fifty Years of Outstanding Service to the Business of Life Insurance.

A TRADITION OF FAITHFUL STEWARDSHIP
SINCE 1879

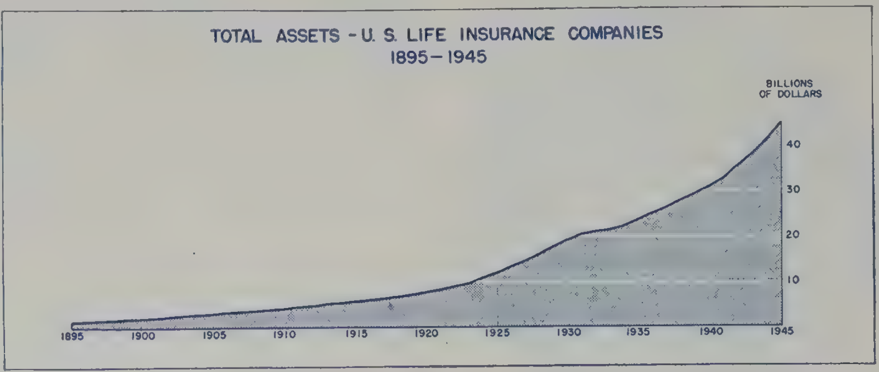
LUTHERAN MUTUAL LIFE INSURANCE COMPANY
WAVERLY, IOWA

an attempt to give a more adequate amount where death was unexpected. It has been operated soundly and while the coverage may be extended in some respects by our courts, it will probably always be possible to charge an adequate premium for it.

The science of the selection of risks has almost entirely developed over the last 50 years. This is a field where the actuary and the doctor have cooperated most closely.

The science, and it is a science, has resulted in not only better selection of those lives offered insurance at regular rates but has developed to the point where insurance can safely be offered to impaired lives at proper extra premiums. The team of Rogers and Hunter in the early days in this field did monumental work in laying the foundation for sound substandard insurance. It was one of the most important steps in life insurance history.

SOME of the earliest companies in this country were organized from the beginning on a mutual basis. Most of the companies entering the field after the Civil War were organized as stock companies. Some stock companies did both a participating and a non-participating business but the effect of the New York legislation, following the Armstrong investigation, was to separate companies generally into those issuing non-participating policies or participating policies only, and the competition between the two has been carried on for years.



Institute of Life Insurance "Fact Book."

One of the most interesting developments was the move on the part of a number of the larger stock companies to mutualize. There was a wave of this around 1910 to 1915. It is interesting because we are seeing again a number of stock companies moving over to the mutual field.

One of the features of insurance is the great number of independent companies operating on a sound and fair basis. Small companies can operate soundly because of the inherent soundness of legal reserve life insurance when properly managed and supervised but small companies would find their existence and operations very difficult if it were not for the cooperation of professional bodies such as the Actuarial Society and the American Institute of Actuaries. These organizations have aided tremendously in the development of small companies, not only by publishing basic actuarial tables but by freely exchanging ideas and information about their problems. At the present time these bodies are completing one of the most monumental tasks of all times—the computing and publishing of all the actuarial figures that are required by the adoption of the Commissioners' Standard Ordinary Mortality Table and the 1941 Standard Industrial Table, and the nonforfeiture values required by the Guertin laws. Even the large companies would have found it difficult to complete even the figures that they alone would need, and the cooperative effort has been of inestimable value to them as well as the smaller companies.

Life insurance has prospered under state laws and state regulation. The New York investigation, in 1906, led to new and more elaborate legislation governing life insurance and has posed some problems for actuaries ever since. This legislation established expense limitation, set up policy provisions that were required and established sound reserve bases for operation, besides setting up safeguards against investment indiscretions and other features not of an actuarial character. This investigation, in the long run, has proved a good thing for the insurance industry because it led to increased confidence on the part of the public in the administration of the life insurance companies and the way they were regulated, and our business depends on that confidence.

In more recent times the business has been again investigated by the T.N.E.C. It is worth noting that no criticism of an actuarial nature was developed.

AN actuary is supposed to have the ability to see ahead, or at least to provide for what may be in the future. The actuary of 50 years ago who could have foreseen what was ahead in the next 50 years would have been pardoned if he had had some misgivings. He would have seen that in the next 50 years the United States would be involved in three wars, two of them of worldwide scope and extending over several years and involving millions of men; he would have seen a violent epidemic in 1918 with milder epidemics in other years; he would have seen the controversy over the coinage of gold and silver settled but he might have been disturbed at the pros-

Proudly Alliance Life joins the
insurance fraternity in this
deserved tribute to
Charles M. Cartwright
on his completion
of fifty
golden
years

IN ALLIANCE THERE IS STRENGTH

ALLIANCE *Life* INSURANCE COMPANY
CHICAGO

It is
our hope
that in the
fifty years ahead
— and more — his ideals
will continue to guide
THE NATIONAL UNDERWRITER

pect of currency being divorced from the gold standard and the value of the dollar in terms of gold being changed. He would have expected panics and depressions and periods of inflation and periods of deflation—he had been through such periods. He might have been disturbed at the prospect that interest rates on government bonds would go down to around 3%, then up to around 6% and then would sink to barely 2%, and even the best corporate securities available 50 years away would yield barely 2½%. He might have been disturbed at the prospect that wages would reach an average in the larger industries of over a dollar per hour and that a normal work-week would be 40 hours.

He might have wondered at the prospect of over 30 million motor vehicles on the roads — then barely wagon tracks — in this country, and would undoubtedly have been disturbed if he could have foreseen that these vehicles would by themselves result in 40,000 deaths a year. He could hardly have foreseen that people would travel by means of the airplane in 1946 farther than all the people traveled by train in 1896. While he might have foreseen that scientists might have unlocked the secret of atomic energy, he could hardly estimate the consequences of that discovery on society and the life insurance business because it is impossible to do so even today when that discovery is a reality.

The actuary of 1896 would indeed have had to have courage to face what he foresaw in the next 50 years. Yet all those problems have been met and solved and life insurance today is stronger and more widely acclaimed than at any time in its history.

What R. D. Murphy, then president of the Actuarial Society, said at its meeting in 1939, celebrating its 50 years of existence, is still true today:

"During these last 50 years the outstanding stability of the great cooperative life insurance enterprise has rested very largely upon the mathematical competence, the matured judgment and the ethical principles so strongly fostered through papers, discussions and personal associations in this Society and later through the American Institute of Actuaries. That is not said in any boastful spirit. It is stated in order that we may ourselves recognize and emphasize those principles and practices which have been a vital influence in making it possible for our American and Canadian citizens to protect themselves under our long-term contracts with complete confidence in their fulfillment."

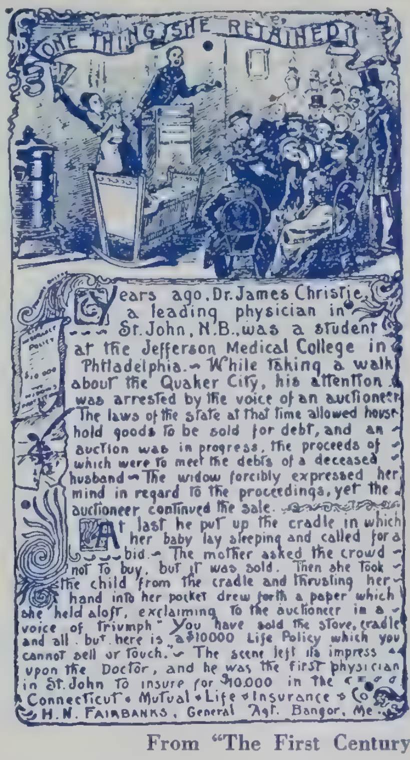
Hartford—Genius Loci of Insurance

"Most cities have some industry or business enterprise which, being familiar and intelligible to their citizens, is accepted as a judicious investment for capital, while the same business, even in some nearby city, would dwindle, if not perish, because of the absence of inherent conditions necessary to success.

"Thus, in Hartford, to secure the capital for a manufacturing plant of any magnitude was long a difficult matter, while insurance in its varied kinds never languished for lack of favor and ample financial support. By contrast, in neighboring cities, manufacturing was the calculable risk, a class of enterprise that found a soil rich in the elements of successful growth; while insurance was the incalculable risk, and therefore a business devoid of strong attraction as an investment to their monied citizens.

"The cause of Hartford's specialty is not hard to discover. At the head of navigation on the Connecticut river, it was, up to the time of many railroads, the chief distributing point for the rich Connecticut valley, a port of much shipping, and one of the great northern seats of the West India trade, and even of European commerce, in the days when vessels were rated at so many hundred tons instead of so many thousands.

"(It was) a center of wholesale mercantile and importing houses and of business capital and banking. Early in the century, it had several such establishments, and one bank, the Hartford, which was chartered in 1790, and the fifth to be organized in the country. To protect these interests, private firms in and out of Lloyds' associations here carried on marine insurance at an early date, and as Hartford's capital grew, insurance became a natural and familiar field for its investment; and as the country grew, the danger from fire loss on the land far outstripped that from disaster on the water . . ." "A Quarter-Century's Fire Underwriting," National Fire from 1871-1896.



ONE THING SHE RETAINED!

Years ago, Dr. James Christie, a leading physician in St. John, N.B., was a student at the Jefferson Medical College in Philadelphia. While taking a walk about the Quaker City, his attention was arrested by the voice of an auctioneer. The laws of the state at that time allowed household goods to be sold for debt, and an auction was in progress, the proceeds of which were to meet the debts of a deceased husband. The widow forcibly expressed her mind in regard to the proceedings, yet the auctioneer continued the sale.

At last he put up the cradle in which her baby lay sleeping and called for a bid. The mother asked the crowd not to buy, but it was sold. Then she took the child from the cradle and thrusting her hand into her pocket drew forth a paper which she held aloft, exclaiming to the auctioneer in a voice of triumph "You have sold the stove, cradle and all, but here is a $10000 Life Policy which you cannot sell or touch." The scene left its impress upon the Doctor, and he was the first physician in St. John to insure for $10,000 in the Connecticut Mutual Life Insurance Co.

H. N. FAIRBANKS, General Agt. Bangor, Me.

The sign at the right was used 60 years ago by H. N. Fairbanks, general agent of Connecticut Mutual in Bangor, Maine.—

From "The First Century."

J. C. WEST
President

Established
1907

H. G. ZELLE
Exec. Vice-Pres.

Ordinary Life

Industrial Life

Juvenile Educational

Monthly Ordinary

Mortgage Cancellation

Credit Life

- **OPPORTUNITY — Exclusive GENERAL AGENCY top contracts available.**
- **EXPERIENCE — While helpful — is not necessary.**
- **TRAINING — Complete and effective field training and friendly Home Office cooperation.**
- **WRITE TODAY — All correspondence strictly confidential.**

William N. Jahn
Director of Agencies

The
MISSOURI INSURANCE COMPANY
SAINT LOUIS 1, MISSOURI

IN 35 YEARS

GROUP LIFE BECOMES A GIANT

Idea received its big impetus in 1912 with the Montgomery Ward case

BY W. J. GRAHAM

A BIT of unpublished record of the introduction and a quick look at the development of group insurance for the 50th anniversary issue of THE NATIONAL UNDERWRITER seems especially fitting since Editor Charles Cartwright is the man who personally scooped the newspaper field with the story of the closing of the Montgomery Ward & Company group by Equitable Society in April, 1912. The magazine was "The Western Underwriter."

It would be a fine thing at this moment if I could say that I had helped Charley in any way in this scoop. Far from it. His scoop upset me probably as much as any one individual, complimentary though his references were to Montgomery Ward & Company, to the Equitable Life and myself, inasmuch as Montgomery Ward was planning a big scale publicity release and had requested that we keep the transaction quiet for the time being since the insurance was not to become effective for nearly three months, namely: the first of the following July.

The news leaked out, however, when Montgomery Ward notified certain other companies which had been eager to insure the employes under ordinary policies that the competition was closed. Other insurance journals picked up the story, as did the press generally throughout the country, and there was much favorable comment on the constructive purposes of the insurance to eliminate distress among the employes and their families.

Group insurance, as an innovation in life insurance underwriting, came in for that storm of criticism which any innovation must expect to receive. The brickbats and the dead cats did not always miss their targets but the bruises and the discomforts were of the order that adds zest to the good fight.

The insurance opposition to group insurance was vigorously led by fraternal organizations, which were at that time facing the difficulties inherent in the radical revisions upward of premium rates and reserves. The fraternal opposition included in those days a certain order of leadership which reached into labor organizations and the combination was politically powerful. The files of "The Fraternal Monitor" over the earlier years of group insurance are eloquent of the opposition.

MANY legal reserve companies were unfavorably inclined toward the idea of group insurance. In August, 1913, the American Life Convention, whose membership was composed of 110 companies, many of them representative of the then newer and smaller companies of the south and west, held a convention in St. Paul at which a resolution against group insurance was unanimously passed. This resolution was promptly telegraphed by T. W. Blackburn, secretary of the American Life Convention, to John Sullivan, chairman of the Associated Fraternities of America's committee on statutory legislation, and read to the National Fraternal Congress of America then in session in Chicago:

St. Paul, Minn., Aug. 21, 1913.
Mr. John Sullivan,
Care Sherman House,
Chicago Ill.

American Life Convention last night unanimously adopted the following: Resolved, That the issuance of group insurance by legal reserve life insurance companies without individual medical examination is a menace to legal reserve life insurance. A discrimination against regularly examined policy holders is unfair in principle and dangerous in practice.

T. W. Blackburn, Secy.

Following this, the Congress by unanimous vote adopted a tentative draft of an act to be submitted to legislatures, prohibiting the writing of group insurance, as follows:

"An Act to Require Medical Examination for Life Insurance, other than Industrial, and to Prohibit so-called Group Insurance and Providing a Penalty.

"Section 1. No insurance corporation, company, association or fraternal society, by itself or any other parties, and no agent, solicitor, broker or other person shall effect any life insurance or issue or deliver any policy or certificate of life insurance, other than industrial policy on the weekly payment plan, in this state, until after the insured has been examined by a legally qualified physician, acting in its behalf, and has been found to conform to the standard prescribed by such corporation, company, association or society. Provided further, that no form of Group Insurance shall be effected by any insurance corporation, company, or person, from the membership of any supreme body or subordinate lodge or body as such from any Fraternal Benefit Society.

"Section 2. Any corporation, company, association, or society violating this section shall be fined not less than $200 or more than $1000 for first offense, and not less than $500 nor more than $2500 for second offense, provided by the general laws of the state for revoking licenses and collecting fines for other violations of the law, and any agent, solicitor, broker or other person, writing or delivering any such policy or

The Colonial
LIFE INSURANCE COMPANY
OF AMERICA
A PUBLIC SERVANT SINCE 1897

1897 Also 1947

Celebrating

our

50th Anniversary

this year

THE COLONIAL LIFE INSURANCE COMPANY
OF AMERICA
JERSEY CITY 6, NEW JERSEY

William J. Graham, vice-president and director of Equitable Society, is a fellow of the Actuarial Society of America and the Casualty Actuarial Society. He served as president of the Insurance Institute of America 1934 to 1936. Actuary of Sun Life of America from 1895 to 1902, he joined the actuarial staff of Metropolitan Life in 1902. He served as consulting actuary of the American School of Insurance in 1905; and actuary in joint charge of the life insurance investigation for the western and southern states, 1905 to 1906. His association with Northwestern National Life as vice-president and director lasted from 1906 to 1911, when he became western superintendent of agencies of Equitable Society at Chicago. From 1912 to 1918 he was superintendent of the group insurance department, when he became third vice-president. He advanced to second vice-president in 1920, vice-president in 1929, and has served as director since 1937.

W. J. Graham

His other activities include: New York State Chamber of Commerce, treasurer; American Management Association, director, president 1930-1934; American Arbitration Association, treasurer and director. He is the author of "Romance of Life Insurance."

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section, shall be punished by a fine not less than $25 nor more than $200 for the first offense, and double these amounts for second offense, or by imprisonment in the county jail for not exceeding six months, or by both such fine and imprisonment.

"Section 3. Be it further enacted that this Act be in full force and effect after its enactment."

These resolutions were reproduced in "The Fraternal Monitor" and were given broad publicity in the campaign of pressure which the fraternals were putting on the insurance commissioners to curb group insurance.

The story of how the insurance commissioners of the country separately and collectively resisted all pressures of important insurance personages and politically powerful groups to prohibit or restrain the proper development of group underwriting is a stimulating tale for later telling. Suffice it to say here that the record of courage, understanding and zeal for useful expansion of life insurance for the working man and woman in the troublous days and months and early years of group insurance is one of which state insurance supervision can well be proud.

And here too a word for the insurance press. It was the insurance journals whose columns were open for the detailed defenses of group insurance that supplied basic facts to the insurance supervisory officials and all who wanted to be informed.

Into this story Charley Cartwright came early and continued along with the tale as it is told to date. For his multitude of good services to the insurers and the insured I join with what I envision as a biggish group of the insurance family in singing to the tune of "Mother Macree": "God bless you and keep you Charley Cartwright!"

As an irresistible postscript to this —may all of us in insurance management achieve increasing appreciation of the great part contributed to our success by the many fine insurance journals and fine journalists working for a better insurance world while intelligently interpreting the news and the facts about such currently troublous affairs as have arisen out of the S. E. U. A., the Guertin legislation proposals and the state vs. federal control question.

Needless to state to insurance men, the American Life Convention is now the leading organization in insurance, comprising practically all the life companies, large, small and medium size, and splendidly serving ordinary, industrial and group insurance alike.

GROUP insurance, as it is known today, was built upon the Montgomery Ward case which became effective July 1, 1912. It was developed from the desire of the three nephews of Montgomery Ward, Robert J., Charles H. and George A. Thorne, who were then in control of the company, to do something that would make their employes more secure. In this they were ably abetted by a gifted young attorney, George R. Durgan, on the staff of then Vice-president Charles H. Thorne, who shaped the proposals and did most of the negotiations with insurance people. Several insurance companies competed for this business on the basis of providing individual insurance policies, but in the course of negotiations it became apparent that certain liberalization could profitably be made because of the group character of the case. Thus, the Equitable conceived the idea of writing a blanket policy, waiving individual medical examinations and individual accounting.

The initial group insurance plan of Montgomery Ward & Company provided in effect a death benefit of one year's salary, not to exceed $3,000, although in cases where the number of dependents warranted, this amount was increased. At the inception of the contract 2,912 employes were covered for $5,946,564 of group life insurance.

The Montgomery Ward plan provided also for health and accident insurance under a group plan which was scientifically designed and rated by Continental Casualty. Unfortunately, however, when it came to placing the casualty part of the risk there were corporation reasons for using another company. Continental Casualty stepped aside with good grace. This was a keen disappointment to me, but the happy experience followed of sharing the later record-breaking group of the Union Pacific Railroad with Continental Casualty well intrenched as the writer of what was called franchise insurance on the employes of the railroad.

While the Montgomery Ward case was pivotal it was not in fact the first group policy issued, though it was indirectly responsible for the No. 1 contract, which covered employes of Pantasote Leather Company. The then president of that company,

The Canada Life, celebrating its 100th Anniversary this year, is happy to congratulate the National Underwriter on the occasion of the publication of its 50th Anniversary issue.

For more than half a century the Canada Life has done business in the United States as a "naturalized" Company. The Michigan Insurance Report for 1890 refers to the Company as "the first life insurance company organized under the laws of any foreign government which has ever been authorized to do business in Michigan".

Over the years the Canada Life organization in the United States has become, in effect, a self-contained company.

The CANADA LIFE
Assurance Company

Head Office — Toronto, Canada
Established 1847

a great civic and business leader, Eugenius H. Outerbridge, was a director of Equitable Society. As a member of the insurance committee the various departures contemplated in the Montgomery Ward case came up for discussion before him. He became a strong advocate and applied for a contract for his then relatively small company. This was issued under date of June 1, 1911.

Feeling out the field, the Equitable created the first department of group insurance as of Jan. 1, 1912. The department thus pre-dated the Montgomery Ward case but it grew out of the negotiations for that business and out of the confident conviction that the big field of wage and salary workers heretofore not open to the agent for canvass during the day could and would be reached by the employer in cooperative action with advantage to all, first, the employes; second, the employe's family; third, the community; and finally the employer who largely paid the bill.

THE group idea captured the imagination of forward looking employers and the Equitable was soon followed into the group field by the large Hartford companies. Later the Equitable broadened its coverages successively to include group accident and health insurance, group accidental death and dismemberment insurance, group hospital, surgical and medical expense insurance for employes and their dependents and group annuities. The extraordinary growth of the business in the 35 years of its existence is revealed in a recent survey made by the Life Insurance Association of America, from data contributed by 120 United States and Canadian life insurance companies and 27 casualty companies which write group accident and health. The 147 companies involved received 98.2% of the total estimated 1945 group premiums and considerations.

Group life insurance, the primary coverage, is naturally the most widespread form, and at the end of 1945 covered 11,329,388 persons in the United States for a total volume of $22,426,725,000. Group life insurance has also been applied in the payment of installment purchases under the title of group indebtedness insurance. At the end of 1945 there was $234,671,000 of group indebtedness cover in force in this country. A recent extension of the group idea is group permanent insurance or single premium group life insurance. Twenty of the contributing life insurance companies had some business in force under this plan but figures are not available.

Group accidental death and dismemberment insurance, which corresponds to the double indemnity feature in ordinary life insurance, was provided for 3,709,071 persons for a total coverage of $6,407,853,000.

Group accident and health insurance, which provides a weekly indemnity to partially compensate for wage loss during disability, was carried on 5,921,360 persons in the United States at the end of 1945 for a total coverage of $100,830,000. This amounted to an average weekly indemnity of $17.03 for each person insured.

Group hospital expense insurance, providing coverage against the cost of hospital room and board and other types of charges incurred by hospitalized persons, covered 4,371,350 employes for a daily benefit of $19,939,000, and 3,432,320 members of their families for a total daily benefit of $13,914,000. Group surgical expense, which is written in conjunction with group hospital expense insurance, covered 3,948,565 employes for a maximum surgical benefit of 579,081,000, and 1,587,669 dependents for a maximum surgical benefit of $207,363,000. The average maximum surgical benefit per operation amounted to $146.66 for employes and $130.61 for dependents. The newest member of the group family is group medical expense insurance, providing general coverage for doctor's charges. Under this form of coverage 35,152 employes and 97,876 dependents were insured at the end of 1945.

In supplement to the retirement benefits under the Social Security Act, group annuity contracts covered 1,275,566 persons in the United States for an annual income of $279,635,000.

The total 1945 premium income under group insurance and annuity coverages in the United States amounted to $818,705,000, as follows:

Group life	$300,911,000
Group indebtedness	2,133,000
Group accidental death & dismemberment	8,850,000
Group A. & H.	115,989,000
Group hospital expense—	
Employe coverage	35,389,000
Dependent coverage	20,117,000
Group surgical expense—	
Employe coverage	24,019,000
Dependent coverage	8,818,000
Group medical expense—	
Employe coverage	1,363,000
Dependent coverage	489,000
Group annuities	300,627,000

IT IS interesting to note that the volume of group life insurance alone exceeds by nearly 50% the $18 billions of life insurance that was recorded as the total of the ordinary and industrial business in force when the group idea was introduced in 1911. In those 35 years ordinary and group insurance have both grown mightily and particularly is this true of the growth of ordinary and industrial insurance in companies which have gone in for the issuance of group insurance in a big way.

The great bulk of group insurance is underwritten by less than a dozen companies, but, as indicated previously, there are 147 companies with group insurance on their books. And right here may I record in this anniversary number the hope which I have expressed on other occasions that every life insurance company be a group writing company. From a life insurance standpoint group insurance is a supplemental form of

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Since its organization in 1918, Atlas has proved itself a good life insurance company — good for both policy-holders and agents.

Yes, during periods of prosperity and depression, wartime and peace, every Atlas policy has proved an economic asset, and its agency contracts have proved a source of dependability and profit.

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Strength To Carry Any Load

ATLAS LIFE INSURANCE COMPANY
Johnson D. Hill, President
TULSA, OKLAHOMA

Cincinnati—

"Queen City of West" was center of culture and business at turn of century

BY GEORGE A. BOISSARD

FIFTY is a lot of years.

Mindful of Mark Twain's classification of statistics as the ultimate in perversion, this writer will keep them out of his message of felicitation to THE NATIONAL UNDERWRITER on the occasion of its semi-centennial. The Ohio Underwriter and I went into the insurance business at about the same time, and in the same city. One gathers knowledge from a ringside seat which is not without interest—if dispensed sparingly.

Had the Ohio Underwriter been launched anywhere else than in Cincinnati, it probably wouldn't have lived. There were only two legal reserve life companies in the state and I recall only the Ohio Farmers' fire company—though there must have been many smaller fire insurers. But Cincinnati businesses have manifested persistency of purpose that many feel traces back to McGuffey; and which anyone can see with half an eye—has that background of environment and breeding from which develops character, without which there cannot be individual success.

The Ohio Underwriter didn't make much of a splash, and, like Elbert Hubbard's scrap-book, was "issued occasionally." Too close to Kentucky and Indiana for a single-state title, it appeared as the Western Underwriter, when it became a regular weekly periodical. And about that time E. J. Wohlgemuth brought Charles Cartwright in with him "to help on the news-gathering and writing." The Western Underwriter steadily increased its circulation, and year after year widened its influence as a constructive force in the life insurance field. We hadn't been using 1900 in our date-lines very long before Ohio ceased to be "Western" in national parlance; so one more change —to THE NATIONAL UNDERWRITER. Then came removal of the publication office of the weekly to Chicago for obvious advantages in mail distribution to its subscribers. The editorial staff went with the publishing end, but the home office of the company remains, and its statistical service; its state hand books, and its compilations of instructional material continue to issue from Cincinnati.

Everybody who has an interest is familiar with the recent history of this publishing corporation. Background facts are meshed with the tremendous development of life insurance on this continent to such extent that, as bits of biography illumine history, so also may some of the paragraphs that follow add flavor to the day-by-day effort of that unselfish worker for the welfare of families and the preservation of their homes—the life insurance man.

Let's go back to the early days and Cincinnati:

Cincinnati people had been quick to recognize the McGuffey truism: "All work and no play makes Jack a dull boy; all play and no work makes him a mere toy." They developed little musical groups into the May Festival, built an imposing Music Hall before the Civil War. Cincinnati was Queen City of the West when Cleveland, Toledo and Columbus were struggling to be Ohio's second city. Because of the title of a serious book, Toledo was known for two generations as "The Future Great City of the World," clipped to "Future Great" for convenience.

CINCINNATI went in for many arts. The Academy roster contains several famous names. The Art Museum in Eden Park holds a number of treasures. Private collections have been of note. And since printing

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life underwriting. It has introduced non-medical underwriting into this country, though the latter was already making its way in Europe through the pioneer efforts of Sun Life and other English companies when group insurance was born.

There is probably no classification of employes which is so completely left out of the benefits of group insurance as the employes of life insurance companies not writing group insurance. While some non-group-writing life insurance companies have adopted group insurance through other companies, there is a natural hesitation to do this and always the suspicion of some injury to company morale in the process. If every life insurance company would adopt a reasonable group plan for its own employes, at the same time encouraging them to buy individual life insurance in their own company, as they should, it would find that the employe would be more nearly adequately insured. Without being aggressive in the canvass for group insurance, many groups within the field of influence of the company would flow to the company. There should, of course, be no canvass for groups already covered. Group insurance practice frowns upon any endeavor to twist an existing group.

In the 35 years group insurance has itself become an insurance giant. From being a novelty carried by a few forward looking employers, it now holds a definite and important place in the field of industrial relations.

Insurance
in Force
Increased
19%
in 1946

Founded 1850
THE MANHATTAN LIFE
INSURANCE COMPANY
of NEW YORK

120 West 57th Street, New York 19, N. Y.

OUR congratulations to The National Underwriter on fifty years of constant, high-minded interest and contributions it has made to the continuing welfare of the life and accident and health insurance business for the benefit of policy owners, agents, and companies.

Life and accident and health insurance are institutions of sales and service with a long and honorable record of performance.

This Company and its Agency Organization is building and growing on that ideal.

★ ★ ★

WISCONSIN
National Life Insurance Co.
OSHKOSH, WISCONSIN

is "the art preservative of all arts," Cincinnati was the home of pioneer western type-foundries, printing-ink manufacturers, the starting place of Collier's Weekly (then called Once-a-Week). Periodicals there were first illustrated by wood cuts. Then the dailies went to chalk plates—horrible things that quickly yielded to the zinc etching of India ink drawings. The first photo engraving printed in any newspaper west of Buffalo was when Bob Carter, editor of the Times-Star, gave his public the likeness of Frank Vanderstucken, who had just been engaged to conduct the Cincinnati Orchestra: Emphasis again on what-makes-life-worthwhile.

But banish the idea of frivolity. Take a moment to consider the practical side of that community: In its first half-century, which was before the B. & O. had a yard of track, it sought to improve its commercial position helping to dig the Miami & Erie Canal, Toledo to Cincinnati. The Civil War shot the South. Canal days were ended. What to do? Well the city dug down in its jeans and built a railroad track across rivers and through 38 mountain tunnels to Chattanooga. It still owns the trackage and enjoys rental from the lessee; which, incidentally, took the tops off of more than half the tunnels about the time the Western Underwriter became a weekly.

The habit of "sticking" is characteristic. Businesses "stay in the family" more closely and probably longer in Cincinnati than almost any place else. This obtains in everything from the hardest machine-tool steel to the softest candles and most soluble soap. And it has been characteristic of life insurance companies there: Witness the Sage and Rusk families in the oldest one, and the Williamses in the 60-year experience of the second. It has been advantageous to the National Underwriter Company to have the second generation of Wohlgemuths and Cartwrights share in its first half century of management and direction.

At the turn of the century there were probably about as many life insurance periodicals in the U. S. A. as there were legal reserve companies. No, we'll eschew statistics, as promised. However, the Western Underwriter had the edge over a lot of them and did such a good job attracting attention in its field that along about 1904 the National Association of Life Underwriters came to Cincinnati for its annual convention.

There were exactly 32 delegates to that National association meeting. A Pittsburgh lad named Edwards was

REPORTER TO COMPANY PRESIDENT

G. A. BOISSARD

George A. Boissard, chairman of National Guardian Life at Madison, Wisconsin, is a former newspaperman. He became prominent in Ohio as a news gatherer and was sports editor of The Cincinnati Enquirer. Western & Southern Life of Cincinnati wrote in its early years nothing but industrial business. It concluded that it should have an ordinary department, and Mr. Boissard was recommended to promote that line although he was not acquainted with life insurance. He made a success of the venture. He was practical and very honest. C. M. Cartwright, now editor of THE NATIONAL UNDERWRITER, had gone to Cincinnati to join E. J. Wohlgemuth, who had founded The Ohio Underwriter and had changed the name to The Western Underwriter. He came in contact there with Mr. Boissard.

A promoter had sold stock in the Guardian Life at Madison and secured a wide subscription. When he had sold sufficient capital to enable the company to get a license, he left for more fertile pastures where he could promote another company. The directors of Guardian Life were befuddled. They did not know what to do. They had the financial structure of an insurance company, but there was no one with an idea of how the business should operate.

The attorney for Guardian Life went to Chicago to see what guidance he could secure on how the company should proceed. He visisted C. M. Cartwright, who was then managing editor of The Western Underwriter, and he recommended Mr. Boissard. He told the attorney that Mr. Boissard, while not an insurance man, was absolutely honest and square. He would not get the company in trouble. He could secure life underwriting talent.

The interview resulted in Mr. Boissard going to Madison and later becoming president of Guardian, whose name later was changed to the National Guardian.

Mr. Boissard adopted very strict principles so far as the make-up of the company was concerned. The company attracted the attention of Wisconsin people. Mr. Boissard surrounded himself with energetic, ambitious and promising young men. One of the customs he adopted was to write to every policyholder just prior to his birthday anniversary. He still keeps it up. He has his secretary get up the names of policyholders from the records, write the letters, put them on his desk, and he signs them the first thing in the morning. Policyholders have thus come to know Mr. Boissard personally.

His son, Richard Boissard, joined the company and became an actuary. He is now its president and has inherited those upright qualities that have dominated his father throughout his life.

president—either coming or going. Union Central gave the convention its big dinner, and Western & Southern threw a theater party for the crowd. This writer had the job of getting the tickets and the Fountain Square Theatre box office dealt out exactly 32.

A YEAR or two later the American Life Convention held one of its early meetings in Cincinnati. Not even Joseph B. Reynolds of the Kansas City Life, and one of its most optimistic founders, dreamed at that time what the A. L. C. would develop into. The "new company movement" got under way shortly after the Cincinnati meeting, and did she grow!

It was at a meeting in Cincinnati that the Life Insurance Sales Research Bureau was brought into being. The babe was handed over to Marshall Holcombe to wean and nourish. What a grownup it has become! They changed the Bureau's name recently but they didn't shorten it, and I'll wager even money that everybody in the field to which it has been such a valuable aid, will continue referring to it as "the Bureau."

They changed the name of the Life Presidents' Association recently, too. While reference to it may have no place in this piece about the UNDERWRITER, it was the first post-Armstrong organization in life insurance; was fathered by Grover Cleveland and was the initial step toward institutionalizing American life insurance out of the un-coordinated activity of about 100 rival corporations. And since it all happened fully 40 years ago, the explanatory paragraph which follows may not be out of place.

The Armstrong committee of the New York legislature was named to investigate life insurance in 1905. Though its net achievement was outlawing of the deferred dividend policies, it arose from no public protest against them. They weren't in anybody's mind at the start. The genesis was antagonism (at the time) between two New York companies, each of which pressed the issue of tontines. The non-pars were against the deferreds and some mutuals, but Jacob L. Greene of the Connecticut Mutual almost alone maintained a reasoned opposition for years. And death took Greene a short time before his preachments were vindicated. A diner to Madame Rejane at Sherry's was the match that touched off the "investigation," and when some rugs were shaken out of windows it made a front page story for the newspapers. Some cynics later accused the insurance press of shushing the early stages, but there'd been nothing but dry-as-dust "proceedings" until Charles Evans Hughes "shook the rugs."

It all excited public interest, and in the final analysis strengthened confidence in legal reserve life insurance under state regulation.

AN OUTSTANDING figure in advancing the spirit of service in the sales organization—which kept pace with progress in the life insurance field, was Winslow Russell of the Phoenix Mutual. He was definitely in the front rank of the younger officials who took over in that decade and quickened the spirit of life insurance to its modern tempo. If any seek to put their finger on the spot of the awakening, my judgment would be at a Detroit meeting in early autumn of 1916: It was a rally of agency officers called by Mr. Russell. He had among others on his program Joseph A. Richards, a veteran advertising man from New York.

A unique, at times eccentric, and always interesting character, old Joe Richards told these vice-presidents and agency superintendents that "if your companies would advertise their services instead of continually advertising their dollars, their volume of outstanding insurance would soon double." They did. Check totals 30 years back. It has doubled; anyhow, just about!

They hadn't started singing "Over There" in 1917 before the Wilson administration posed the problem of life insurance for men in the army and navy to the legal reserve life companies and to the state insurance departments. Men were being drafted for battle service. These and their families certainly needed protection. You see, there was nothing to go on. When the Civil War was fought life insurance was practically in its cradle. The war with Spain, while relatively recent, hadn't been much more sanguinary than the Homestead riots—just a case of "You may fire when you're ready, Gridley," and a new crop of faces for the next elections. There were two meetings in New York of company underwriters and state commissioners in early war-months. The upshot was that war risk was a job for Uncle Sam to tackle on a term insurance basis. Actuaries helped with rates and policy conditions; agents drafted into uniforms "sold" the rookies. This opened the eyes of everybody that the economic value of the average, able-bodied young man was $10,000. Quoting that "scholar of life insurance," Darwin Kingsley: "The people of the United States had 50 years of life insurance education in a single year!"

And that takes us into the twenties. Up to modern life insurance. Almost to where some who felt that the seeds sown as "Townsend Plan" would make Americans avid for the nationalizing of family protection. But Temporary National Economic Committee was a long name and TNEC stirred no mass action. Legal reserve life insurance having come through three wars and four or five panics since the first copy of the Ohio Underwriter left the press, there followed instead a steady increase in volume. And this last year a record-breaking total of new insurance with marked tightening of the persistency ratio.

Since 1931 this company has sold only Pure Protection Life Insurance at low cost to its many customers in Indiana. By specializing in Pure Protection Insurance Policies, we have fulfilled the prime objective of the Life Insurance business, namely, adequate and proper insurance of the individual under a voluntary system to provide protection for dependents at a minimum of cost.

This plan encourages family savings apart from Life Insurance. A Pure Protection Policy provides the means for the insured's own saving account, that replaces the investment feature of the plans of Life Insurance, which combine investment with protection.

Today the facilities for systematic, voluntary savings can be found in every community. United States Savings Bonds, Insured Saving Accounts in Banks and Building & Loan Associations afford adequate protection for thousands of investors. The policyholders who buy low cost insurance for protection and save systematically outside of life insurance will have their investments in addition to their insurance estate.

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Life Insurance Is

Preparing for An Increased Responsibility

BY C. J. ZIMMERMAN

IN THE United States, life insurance has now embarked on its second century of service. Its remarkable growth has gained momentum with each passing decade. Its growth has been much more rapid than growth of our national wealth or our national income, more rapid than growth of either the population or the growth in number of families. It has failed only to keep pace with the ever broadening concept of its social and economic functions.

The growth of life insurance is a tribute to the courage, the foresight, the idealism, and the character of its early founders. The foundation of life insurance rests on the solid principles which these early founders recognized. Among these are the principle that life insurance is dedicated to serving the public welfare, that life insurance offers an ideal instrument for individual security, that life insurance operates on the principle of mutuality, and that life insurance must be sold.

The early concepts of life insurance were narrow concepts. Life insurance was regarded chiefly as a means of providing a burial fund. The early salesmen of life insurance were pioneering salesmen. In most instances they had to sell not only the need for life insurance but the safety of their companies. Many old life insurance policies bear the personal endorsement of the agent who personally guaranteed payment should the company fail to meet its obligation.

Later still, life insurance was sold primarily on a speculative basis. The exaggerated promises of tontine insurance, the elaborate projections of dividend scales for many years in the future, and the vicious and futile net cost

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The Hardest Are

The First Hundred Million

The table below shows the years when life insurance in force for each individual company exceeded $100 millions, $200 millions and $300 millions. Only companies which had over $100 millions insurance in force as of December 31, 1945, are included.

Company	Commenced Business	1st $100 Millions	2nd $100 Millions	3rd $100 Millions
Mutual, N. Y.	1843	1866	1869	1874
New England Mut.	1844	1897	1910	1915
Mutual Benefit	1845	1867	1893	1902
New York Life	1845	1869	1884	1886
State Mutual	1845	1903	1916	1920
Connecticut Mutual	1846	*	1912	1919
Canada Life	1847	1904	1919	1921
Penn Mutual	1847	1891	1900	1904
Union Mutual	1849	1942	....	....
Aetna	1850	1888	1901	1910
Manhattan Life	1850	1930	....	....
National, Vt.	1850	1901	1915	1920
United States	1850	1943	....	....
Berkshire	1851	1919	1928	....
Mass. Mutual	1851	1896	1906	1912
Phoenix	1851	1907	1918	1921
N. W. Mutual	1858	1885	1889	1892
Equitable, N. Y.	1859	1868	1881	1884
Guardian	1860	1904	1919	1926
Home, N. Y.	1860	1910	1920	1926
John Hancock	1862	1894	1900	1903
Conn. General	1865	1916	1919	1920
Provident Mutual	1865	1894	1908	1913
Travelers	1866	1899	1909	1913
Equitable, Ia.	1867	1915	1919	1922
Metropolitan	1867	1886	1889	1892
Union Central	1867	1897	1904	1910
Pacific Mutual	1868	1907	1918	1920
Acacia Mutual	1869	*	1926	1928
Mutual, Canada	1869	1915	1920	1925
Monumental	1870	1925	1935	1940
Confederation	1871	1919	1925	1929
Life of Virginia	1871	1915	1920	1926
Sun, Canada	1871	1906	1914	1917
London Life	1874	1921	1925	1928
Prudential	1875	1889	1893	1895
American United	1877(b)	*	1936	1944
Bankers, Iowa	1897	*	*	*
Fidelity Mutual	1879	1903	1920	1925
Lutheran Mutual	1879	1944	....	....
Minnesota Mutual	1880	1924	1930	1944
North American, Can.	1881	1921	1937	1944
Baltimore Life	1882	1938	....	....
Franklin	1884	1920	1927	1945
Equitable, D. C.	1885	1938	....	....
N. W. National	1885	1920	1925	1929
Bankers, Neb.	1887	1923	....	....
Dominion	1887	1927	1942	....
Manufacturers	1887	1918	1921	1925
Security Mut., N. Y.	1887	1926	....	....
Western & Southern	1888	1916	1920	1923
Excelsior, Can.	1890	1937	....	....
Southern L. & H.	1890	1941	....	....
Great-West	1891	1914	1919	1922
Industrial L. & H.	1891	1938	1944	1945
Boston Mutual	1892	1941	....	....
State, Ind.	1894	1919	....	....
Kansas City	1895	1917	1920	1925
Central, Ia.	1896	1920	1944	....
Imperial, Canada	1897	1920	1926	1942
Reserve Loan, Tex.	1897	1945	....	....
Sun, Maryland	1897	1930	1945	....
Colonial, N. J.	1898	1927	....	....
National L. & A.	1898	1922	1926	1929
Home Beneficial	1899	1939	1944	....
Home, Pa.	1899	1929	....	....
North Carolina	1899	1945	....	....
Atlantic	1900	1923	....	....
Crown, Can.	1901	1928	1938	1944
Guarantee Mutual	1901	*	1945	....
Carolina Life	1902	1944	....	....
Columbian Nat'l.	1902	1919	1926	....
Pilot, N. C.	1903	1929	1945	....
Reliance, Pa.	1903	1918	1921	1925
Southwestern	1903	1921	1927	1940
Volunteer State	1903	1931	....	....
American Nat'l.	1905	1919	1923	1925
Atlanta Life	1905	1944	....	....
Beneficial	1905	1942	....	....
Commonwealth	1905	1927	1943	....
Indianapolis Life	1905	1930	....	....
Lincoln National	1905	1919	1922	1924
Mutual Trust	1905	1925	1942	....
Lamar	1906	1945	....	....
Midland Mutual	1906	1928	....	....
Northern, Wash.	1906	1937	....	....
Occidental, Calif.	1906	1925	1935	1937
Ohio State	1906	1939	....	....
West Coast	1906	1927	....	....
Central, Ill.	1907	1944	....	....
Continental Amer.	1907	1930	....	....
Jefferson Std.	1907	1919	1923	1926
Protective	1907	1937	....	....
Savings Bank, Mass.	1907	1935	1941	....
Columbus Mutual	1908	1927	....	....
Great Southern	1909	1920	1929	1944
Southland	1909	1925	1944	....
Amicable	1910	1944	....	....
Life & Cas., Tenn.	1910	1925	1937	1941
Ohio National	1910	1931	1940	....
Old Line, Wis.	1910	1945	....	....
Texas Prudential	1910	1945	....	....
Continental Assur.	1911	1927	1936	1941
Gulf, Fla.	1911	1939	1943	1945
Calif.-Western	1912	1928	1931	1945
Pan-American	1912	1923	1943	....
Durham	1913	1943	....	....
Continental, D. C.	1914	1941	....	....
Shenandoah	1916	1930	1940	1944
Interstate L. & A.	1917(†)	1944	....	....
Knights	1917	1941	....	....
Provident L. & A.	1917(†)	1937	1943	....
Liberty	1919	1941	1943	....
Business Men's	1920	1934	1945	....
Security L. & T.	1920	1945	....	....
North Amer. Rein.	1923	1927	1930	....
Peoples, D. C.	1923	1937	1942	....
Washington National	1924	1938	1938	1944
Alliance, Ill.	1926	1944	....	....
United Benefit, Neb.	1926	1936	1941	1944
Bankers National	1927	1944	....	....
Union Labor	1927	1945	....	....
Country Life	1928	1936	1943	....
Illinois Bankers	1929	(‡)	....	....
Liberty National	1929	1941	1944	1944
State Farm	1929	1942	....	....
Farm Bureau	1931	1944	....	....
General American	1933	(a)	(a)	(a)

(*) Information not available.
(†) Year life dept. organized.
(‡) Reinsured Illinois Bankers Life Assn., 1929.
(a) Purchase Missouri State Life Insurance Co., 1933.
(b) Merger of Union Mutual, org. 1877, and American Central, org. 1899.

Charles J. Zimmerman entered insurance as executive manager of the New York Association of Life Underwriters. In 1926 he joined Connecticut Mutual Life in New York, was in Bridgeport, Connecticut, returned and in 1931 he was appointed general agent in Newark. There by 1937 he had built production from $500,000 to $7 million per year. In 1937, he went to Chicago as general agent and there raised the agency from thirty-third to second place in the company in five years.

C. J. Zimmerman

He was the youngest president of the National Association of Life Underwriters. He is a Chartered Life Underwriter, represented the life insurance field in 1940 before the Temporary National Economic Committee in Washington, and has appeared as a guest lecturer and C.L.U. instructor at New York University, Newark University, Rider College, and Northwestern University.

After four years in the navy, where he rose to the rank of captain, he became director of institutional relations of the Life Insurance Management Association.

comparisons all were part of this era.

With the introduction of cash and loan values and other nonforfeiture benefits in the 1880s, the concept of the economic uses of life insurance broadened.

This broader concept in turn led to the adoption of income options. Life insurance had expanded beyond the burial fund function into the limited replacement of income field.

Paralleling this growth in the service of life insurance, came a recognition of the need for broader education and training of the agent.

Such early education and training had consisted primarily of teaching the agent why his company was better than other companies, why his policy was better than the policies of other companies, why his net cost was lower than that of other companies. The emphasis in training was in the use of the rate book and cost comparisons.

As the concept of the functions of life insurance broadened, it became necessary to broaden the education and training of the agent. The early answer to this need was the development of correspondence courses by some of the more progressive companies. Such courses dealt primarily with the fundamentals of life insurance, and only insignificantly with its functions.

IN THE decade from 1910 to 1920, four happenings exerted great influence on life insurance. They were the introduction of the federal income tax and the federal estate tax, World War I and War Risk Insurance in the maximum amount of $10,000.

World War I, in dramatizing the insecurity of life and the catastrophe of death to the family, spotlighted the function of life insurance in offsetting loss of earning power. War Risk Insurance directly exposed millions of our young men to the ownership of life insurance, and indirectly many more millions of beneficiaries to a realization of the benefits of life insurance. Furthermore, it raised the level of thinking of these service men from terms of $2,000 or $3,000 to the terms of $10,000.

The federal income and estate taxes enhanced the value of life insurance as a form of property, and increased the need of liquidity, as provided by life insurance proceeds, in estate settlements.

Obviously, these four happenings expanded life insurance functions. To render these increased services required a better educated and trained life insurance man. In answer to this need, there came upon the life insurance horizon a number of outstanding educators whose contribution to the future of our business cannot be overestimated. Among these are listed such individuals as Dr. John A. Stevenson, Dr. Griffin M. Lovelace, and Dr. Solomon S. Huebner. These men, and their associates, were leaders in clarifying the philosophy of human life values and the selling of life insurance to fulfill specific needs.

Educational courses were organized at Carnegie Institute of Technology, the University of Pittsburgh, and New York University. Summer courses were conducted by the same faculties throughout the country.

The interplay of the imagination and thinking of these educators and that of their eager students further expanded and clarified our concept of life insurance functions.

In examining the ledger statement of our business, we find on the asset side indelible entries made by these instructors and students in developing a significant social, economic, and institutional concept of life insurance. Along with this, and under prodding from the National Association of Life Underwriters, there was developed and given general acceptance a code of professional ethical practices. The percentage of these early teachers and students who have beome constructive top rank leaders in our business is so great as to be almost unbelievable.

During the decade of the 1920s, two other significant educational and training media were initiated in the founding of the American College of Life Underwriters and the Life Insurance Sales Research Bureau, the latter of which embarked on the development of managerial training procedures.

Under these stimuli, home offices too made great strides in the development of educational and training courses, to be conducted

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Mr. C. M. Cartwright
Editor, National Underwriter,
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Chicago 4, Illinois

Dear Mr. Cartwright:

Congratulations on this anniversary:

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Your interest even in the smaller companies such as ours has lent great encouragement to our endeavors.

It is our sincere purpose for the future to strive to merit the friendship and interest you have given to us.

Yours very truly,

H. O. Carlson

H.O.Carlson,
President

NEED YOUNG EXECUTIVES

more complicated era opening up for insurance management

BY PAUL B. SOMMERS

WHEN we look back over the last half century, we realize that our business has passed many important milestones in its development. Among these are such items as schedule rating of fire insurance risks; organization of National Association of Insurance Agents; development of Underwriters' Laboratories; creation of insurance company groups; the expansion of company underwriting; the origination of use and occupancy insurance, reporting forms of insurance for mercantile and warehoused stocks, the extended coverage endorsement; the creation and development of automobile insurance; the tremendous development in all branches of liability and workmen's compensation insurance; and the current trend towards broadened charter powers and multiple-line underwriting.

In the fire insurance business we have witnessed the enlarged activities of the National Board of Fire Underwriters. We have seen the Association of Casualty & Surety Executives take its place in the broadening scope.

All of these, and many other unmentioned developments reflect the creative thinking of insurance management over the past five decades.

The tempo of practical expansion has been stepped up over the last 20 years, too.

The rapidly expanding inland marine insurance market, the ever increasing volume of ocean marine business and the development of American companies in foreign fields, with aviation insurance on the threshold of worldwide expansion, pose increasing problems for management to consider currently and for the future.

THE LAST 50 years have witnessed many changes in the mechanical processing of our increasing volume of premiums. Accounting, payroll and statistical machines have simplified and speeded up many departments of our business. Uniformity in handling of annual statements and the development of uniform classification with other standardization have lessened the office operation burden to some extent.

The problem of investing the funds of an insurance company has undergone important changes. Measurements of interest return, market value appreciation and other factors, with due allowance for taxation, have caused companies to give increasing attention to this phase of the business.

The diversified classes of insurance protection now being sold by multiple-line-writing groups suggest more careful scrutiny of our marketing methods. The day is past when our agents sit in their offices and write fire insurance renewals with an occasional new customer appearing on their books. Younger and more aggressive agents are following modern marketing methods in the development of their agency business. The survey or analysis plan of selling is gaining momentum on personal insurance as well as commercial lines. The Bank and Agent Auto Plan of retaining automobile insurance on the tremendous volume of new automobiles in the offing is also proof that agents are alive to their sales possibilities.

All of the things described in the preceding paragraphs, plus many more that will occur to the reader, are ample evidence that a new era is opening up for insurance company management.

The business will be a young man's field in the years that lie ahead. The competitive force of lowered fire insurance rates over the past quarter of a century, makes it more imperative than ever that we measure dollar income versus dollar outgo, with a margin of profit retained for the stockholder. To accomplish this, we must plan to fill executive positions with young men, schooled in underwriting and selling, who can activate a program of multiple-line-writing. Concentration of effort on such sources will tend to reduce the cost of doing business.

WORLD WAR II brought a five year hiatus in the orderly training of young field men who would normally become candidates for executive positions. However, some company managements recognized that this five year delay presented an opportunity to utilize the training program of the armed forces and convert it into business uses. This new concept of training shortened the period formerly required to develop an apprentice in office and field. As we see it today, the old plan wasted productive years in the life of a young field man. If the Army, Navy and Marine Corps could indoctrinate young men into positions of command by an accelerated training program; if the Air Corps could train fighter and bomber pilots in the complicated techniques necessary to fit into global war strategy; if all the armed services could teach young men how to protect the men under their command; how to instill the confidence so necessary in warfare; how successfully to conduct important missions with minimum losses to personnel and material; and how to respect the judgment, plans and orders of their superior officers, it should not be too difficult for our business to take a well selected group of these young men and train them in the business of insurance, using the same intensified methods that they became accustomed to during their short careers with the armed forces.

The companies which have followed this course of intensified training have gone a long way in protecting the future of their organizations. From this pool of aggressive, sales-minded, underwriting-trained, young field men will be drawn the future management of our business.

P. B. Sommers

Paul Bergen Sommers, a graduate of Lake Forest (Ill.) University in 1908, entered insurance with Scottish Union & National where he remained ten years as special agent. In 1918 he went into the local agency business in Cleveland for 2½ years, and in April, 1920, joined American of Newark as superintendent of agents.

In 1923 he was elected vice-president. In 1924 he became a director. In 1935 he was made president of American Group of fire companies and chairman of American's casualty affiliate, Bankers Indemnity.

He is a trustee of the Insurance Executives' Association and American Foreign Insurance Association; a director of Fire Companies' Adjustment Bureau, Underwriters Laboratories, Underwriters Salvage Company of New York, Reinsurance Corporation of New York, Sanborn Map Company, National Newark & Essex Banking Company, and Mutual Benefit Life; and a fellow of the Insurance Institute of America.

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by correspondence, as well as by schools in the home offices and in the field.

ALTHOUGH there had already been recognition of the fact that the qualified life underwriter must have not only knowledge but skill in applying it, nevertheless full recognition of the importance of training did not come about until the 1930s. Depressed economic conditions hammered home to the insurance business the point that great development of skills in all phases of the job was needed.

There came to full fruition the development of the conference, the clinic, and the coaching on the job techniques. "Learning by doing correctly" became a central thought.

The end of World War II finds a number of new and significant developments, as well as the expansion of established procedures, in life insurance education and training. Among these are the development at several universities of campus training courses for new men; the formulation of plans to develop intermediate training courses on an institutional level, under institutional supervision, and with institutional support; a great increase in Chartered Life Underwriter study; a similar expansion in the management schools of the Agency Management Association; the limited and belated introduction of life insurance in the economics courses of some high schools and colleges; further expansion of life insurance studies in the field of adult education; the Life Office Management Association courses for home office personnel; and significantly, the granting of fellowships and scholarships through the Huebner Foundation for the development of life insurance teachers.

Much must and will be done to further improve the material and techniques in the education and training of life insurance personnel, as well as in training the trainer.

But perhaps the most challenging future development is that offered in the field of public education. To date, this responsibility has been left primarily in the hands of the field forces, with some institutional help.

Despite the brilliant accomplishments of the field in educating the policyholder to a better appreciation and knowledge of life insurance as it applies to himself and his individual needs, there is almost a vacuum of public understanding of broad social, economic, and political significance of life insurance.

It is still possible to run the educational gamut from elementary school through post graduate study without once being exposed to even fundamental discussions of life insurance.

But that is another story—and one which should make satisfactory reading on the 75th anniversary of THE NATIONAL UNDERWRITER.

Reading Newspapers

Paul Loder was at one time general agent of Provident Mutual in Chicago. During a period when times were bad he became convinced that his agents were very unfavorably influenced by what they read in the morning papers. They were somewhat discouraged or confused. He declared that he could see the effects in their production efforts. He got his people to agree not to read the morning papers until after they went home at night. Mr. Loder claimed afterward that immediately their business showed an improvement. He contended that a life man should keep his nose out of the newspapers until he found that he would not be affected by what he read.

—C. M. C.

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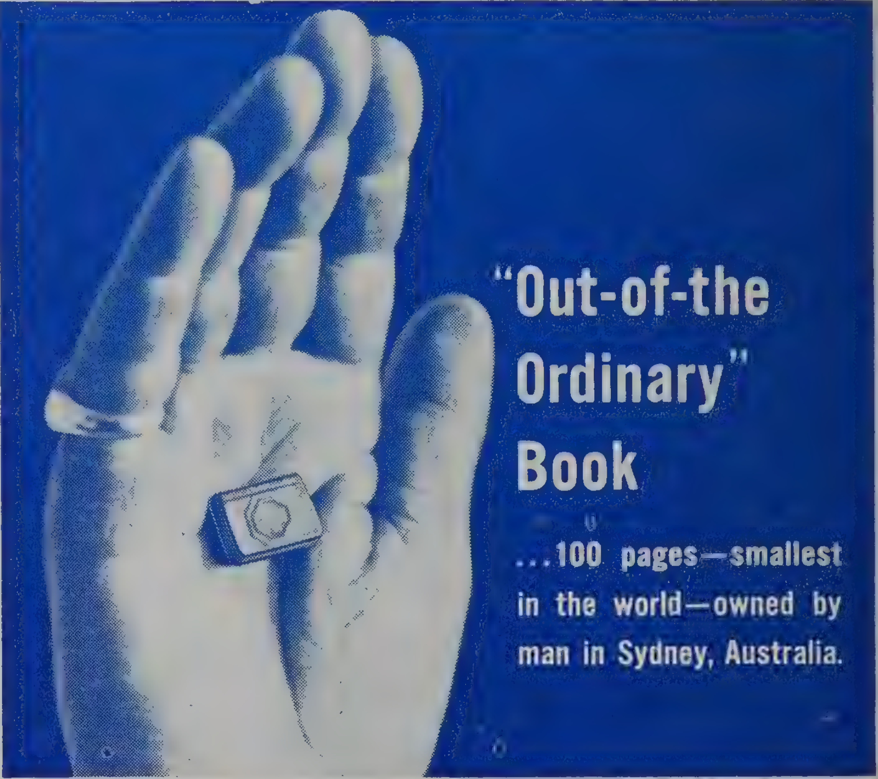
C. M. Cartwright



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ADVANCES IN SELLING

Scientific selection and professional training solve many agent and management problems

BY J. M. HOLCOMBE, JR.

THE 50th Anniversary of the founding of THE NATIONAL UNDERWRITER and the 25th Anniversary of the founding of the Life Insurance Sales Research Bureau occurred at almost the same time. For that reason, as well as for others, I am very glad to comply with the request of my old friend Charlie Cartwright that I write something about the evolution of life insurance selling during the last quarter of a century.

Certainly the first thought on my mind is to congratulate THE NATIONAL UNDERWRITER on this occasion. This life insurance journal has done much to elevate the standards of agency practice through its columns and especially through its editorials. Often one of the editorials has stated a problem, suggested a solution, and thus contributed to important improvements in agency management.

The history of life insurance selling or, as we like to call it in our organization, life insurance distribution, from the early 1840s until about 1916 saw the creation and development of what has come to be called "The American Agency System."

There were many steps in the development of our agency system during that period. But the year 1916 seems to have been significant because at that time there were two men, one in the field and one in the home office, who sensed at approximately the same time that there were opportunities for great improvements in life insurance distribution which might well be achieved.

Edward A. Woods, head of the famous Woods Agency of Equitable Society at Pittsburg, and Winslow Russell, vice-president of Phoenix Mutual Life, were the two men who led in proposing what Mr. Woods called "scientific salesmanship." As president of the National Association of Life Underwriters, Mr. Woods exerted powerful institutional influence on agency operations. Mr. Russell became an institutional leader through his organization in that year of the Association of Life Agency Officers—the first attempt to bring together the home office executives who were directing the operations of the agency force. In the next five years, there was a hitherto unprecedented movement on an institutional basis, and one of the remarkable things about this was its development despite the European war. During this time the Agency Officers Association was organized, the first life insurance salesmanship school at Carnegie Institute of Technology was held under the direction of John A. Stevenson and lastly the Life Insurance Sales Research Bureau was organized.

By the close of the war not only were these institutional efforts taking shape and thus giving their influence to improvements in selling, but individual companies were ready to go forward in developing new and better methods.

A new pattern of life insurance selling can now clearly be seen to have been created at about that time. It included genuine improvements in the procedures used to select agents and in the procedures used to train agents. This basic pattern has been followed ever since, with additional improvements. Work has been done during the intervening years on such important subjects as compensation and supervision of agents.

One of the most far-reaching of the institutional influences for improved selling was the creation in 1928 of the American College of Life Underwriters, which has developed standards and whose significance has not only helped many life insurance agents to a better concept of selling, but has made an admirable beginning in improving the relations existing between life insurance selling and our universities.

Closely connected with the American College was the organization some years ago of the Huebner Foundation, through whose efforts we shall have a marked improvement in the number and the quality of the men who are available to teach life insurance selling.

Thus, having referred to these general developments, it may now be appropriate to take up some of the major divisions of life insurance agency management and see just what has been accomplished in these 25 years.

AS the first step in the commencement of an agent's career comes the matter of his selection. One of the things which the two leaders in achieving improvement in agency management in 1916 saw was the fact that men were chosen for life insurance selling with very little care. I well remember that at one of our early meetings someone said that he thought the best advice which could be given to encourage better selection of agents was the brief but pregnant advice—"be careful." These two words came to mean an increasing reliance upon what science could do to assist in predicting the likelihood of success before the agent was hired.

When I arrived at Carnegie Institute of Technology on January 2, 1922, to help start the operations of the new Research Bureau, it seemed clear that we could do something immediately in helping companies in the selection of agents. We chose, as our first activity, to prepare and send to our companies several blanks to be used in the appointment of new agents. It was a modest step but it launched us on our effort to improve the calibre of the men who were being given contracts.

The next step was our first research study, appropriately called "Project No. 1". This was a proposal to our companies that we secure the personal histories of a group of agents and study each item in that history for the purpose of seeing if there was a relationship between it and later success.

That was the foundation upon which was built a later and broader study which resulted in part 1 of the Aptitude Index.

The next step was to give some so-called personality tests to a group of agents and compare the results with production records. The success of this study resulted in part 2 of the index, and on December 28, 1938, the two parts were given to our companies. Since then the use of this index has spread widely and has demonstrably assisted in better selection of agents in Canada and the United States.

Today, the use of tests is almost universal by United States and Canadian companies. In fact, a recent survey which we made showed that 96% of the association's member companies doing only ordinary business use one or more selection tests. The one most widely used, except for the aptitude index, is the Steward inventory. At the present time our Agency Management Association is at work in an endeavor to find other tests, whose predictive value is significant. When this study is completed, we hope to have an even more accurate way of predicting success or failure of prospective agents than we have today.

The life insurance business was a distinct pioneer in creating the aptitude index for assisting those who are hiring salesmen. A few years ago we embarked on a field where even less work had been done than was done in the matter of using science to assist us in choosing salesmen. I refer to the problem of measuring the aptitude of men who are under consideration for positions requiring managerial ability in agencies.

John Marshall Holcombe, Jr., a graduate of Yale College and Harvard Law School, from 1914 to 1921 was with Phoenix Mutual, first as counsel and later in the agency department in charge of the research division, except for the time that he served as a captain in the army air service. In 1918 he served in France with F. L. Jones, vice president of Equitable Society, teaching life insurance to the A.E.F. in the overseas life insurance school.

J. M. Holcombe, Jr.

In 1921 he became business manager of the Life Insurance Sales Research Bureau, then a part of the Bureau of Personnel Research at Carnegie Institute of Technology at Pittsburgh. In 1923 the Life Insurance Sales Research Bureau opened independent offices in New York City, and Mr. Holcombe became its manager. In 1924 the Bureau again moved, this time to Hartford, and in 1946 a further change was instigated and the Bureau was succeeded by the Life Insurance Agency Management Association with Mr. Holcombe as the managing director. He has seen the membership grow from the Bureau's original thirteen members to the present 160.

Mr. Holcombe was secretary and treasurer of the Association of Life Agency Officers, until this organization was replaced by the Life Insurance Agency Management Association in 1946. In 1928 Mr. Holcombe was made a director of the American College of Life Underwriters.

For the last seven years, our association has been working on this problem, and we are just now sending to the companies a procedure which we hope will assist them in choosing their future managers. If this new procedure is successful, it will certainly be a major step forward in improving the whole field of life insurance distribution.

The Life Insurance Agency Management Association is a laboratory for the purpose of studying the whole selection problem, and we are anxious to find the most scientifically proven procedures to help our companies. Whether the association creates these procedures is immaterial. What we are seeking is to give to life insurance the most valuable aids in selection which it is possible to secure.

As we have said so many times, none of these measuring devices is any more than an aid to judgment. They can assist managers and home offices but they cannot be used in place of the judgment of the individual who is interviewing the prospect and who has, in most cases, known him for many months, perhaps years.

The approach to this problem is essentially institutional. Its appli-

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cation is, of course, in the hands of the individual company.

THE next major division which might logically be considered is the matter of training. Here again we have the separate phases of training the agent and training the managers.

In the last 25 years, there have been some outstanding achievements, on the institutional side, in the matter of training agents. I have already referred to the American College, and certainly its influence has been of great significance.

The evolution of training procedures has included three main types of training—first, that done at universities; second, that done at home office schools; third, that done through correspondence courses and pamphlets, some of which are institutional in nature and others of which are prepared and used by one company only.

University courses in life insurance selling began at Carnegie Tech in 1919. This course later moved to the University of Pittsburgh and then to New York University. It graduated many men who have since become important in both home office and field positions and was of great importance in both clarifying the work of the agent and in demonstrating how teaching at the college level could be handled. This course was given up in the late twenties, and I have always deeply regretted it.

Among its instructors were such men as John A. Stevenson, G. M. Lovelace, C. J. Rockwell, Vincent B. Coffin, Ralph G. Engelsman and J. Elton Bragg.

A later series of university courses was developed in recent years in so-called short courses, often held in the summer. Out of these courses, there has developed a new type of training — one in which the student, during a full year, goes to the university for three periods of five weeks each and returns to his agency at the conclusion of each period for the experience of putting to practical use what he learned in the classroom. The first of these courses was held at Purdue University in 1945, and a gradual extension to a limited number of other universities is now in process. So far, the experience of the men who attended has been noteworthy and the extension of the experiment seems clearly warranted.

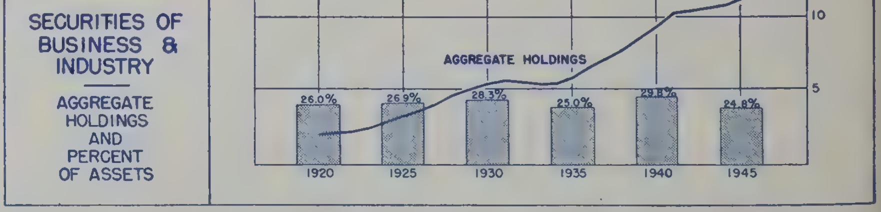
At the same time that these experiments in life insurance selling courses at universities have developed, our companies have recently increased markedly the practice of holding schools of several weeks duration either at the home office or in the field. In either case, the direction of the course is in the hands of a staff of home office agency officers. Today it is clear that this type of training is being looked upon with great favor by our companies, although it is everywhere recognized that whatever training of the agent is furnished by the home office, the success of each individual agent is largely determined by the manner in which his manager directs and guides his efforts. In other words, the establishment of any course by the home office is not an assumption by the home office of the responsibility of training—rather it is the furnishing to the manager of another tool to help him develop an increasing number of successful agents.

The third type of training which has developed in recent years is the correspondence course. Excellent life insurance training material has been prepared both by companies and by such institutional organizations as the R & R, the Diamond Life Bulletins and the Research Bureau. Not only has the available material of this sort been greatly improved, but the increasing recognition of the importance of the managers work has greatly strengthened the administration of these courses.

Ten years ago any discussion of training would have commented on the importance of recognizing the difference between knowledge and skill, between education and training. Today that is widely understood, and the growing emphasis placed on the teaching of skill is altogether healthy.

At the present time the most significant institutional project in the training of agents is under the direction of a committee whose representatives come from four associations—the National Association of Life Underwriters, the American Life Convention, the Life Insurance Association of America, and the Life Insurance Agency Management Association. It is hoped that this committee will be able to create an institutional intermediate training plan, but plans so far have not gone beyond the preliminary stage.

Twenty-five years ago the training of managers was scarcely ever



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Speaking of Anniversaries

At the Great Northern Life, February is Anniversary Month, during which we celebrate certain significant dates in the history of our Company, and also observe the birthdays of our President and Secretary, H. G. Royer and C. O. Pauley. Production of all classes of business always is large during Anniversary Month. Somehow, the Field Force feels that it is worth some extra effort to join in the celebration, and say, "Happy Birthday" to our leaders.

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thought of, even though companies were doing a considerable amount of work in the training of agents, largely by correspondence. In this direction the Research Bureau was a pioneer and began in its earliest years to print material on the work of the manager or general agent. Our older managers today recall the first volume of our "Manager's Manual," which we gave to our companies in the fall of 1923. Later publications have expanded greatly the literature on managerial problems, and our two regular publications—the "Manager's Handbook" and the "Manager's Magazine"—reach not only most of the home offices of Canada and the United States but thousands of agency heads as well.

As our managerial publications grew, we sensed the need of even greater attention to the manager's work, and so in 1927, we offered a four day manager's school. So successful were these short courses that, in 1929, we expanded the course to two weeks. In the 17 years since then, the curriculum has been steadily improved, largely through the use of the project method, by means of which the students contribute actively to the discussion of each topic. There are now something over 3,000 men in Canada and the United States who hold the diploma which is given to each man who graduates from this course.

All of this emphasis on the training of managers is today widely accepted by life insurance companies, and countless conferences and even schools are held by them.

It is one of the healthiest changes which has come to our business because it puts the pressure at a spot where its absence has caused the failure, in the past, of many agency heads who might, with better training, have themselves become successful and thus have aided in the success of countless agents who worked under their direction.

Before leaving the subject of training, I should say that I believe it is the area where lies the greatest opportunity for improvement, and I hope that the consideration of all the phases of training activities will receive the increasing attention which they deserve. Investment of time and money here may well pay large dividends.

THE compensation of agents and managers has been emphasized in the last quarter century by the very great amount of attention which has been paid to it by individual companies and, on behalf of the institution, by the compensation committee of the Research Bureau, whose members consisted of home office officials and field men. For many years the National association had had a committee on compensation, but when both field men and home office men gathered around a table four or five times a year, there was achieved a clarification of thinking as well as an impact on the business generally which has been highly significant. This committee published many reports and it is fair to say that it was the leader in creating some new practices in compensation.

As a result of the work of the committee and of the independent thinking of many agency executives, the compensation plan for agents has recently undergone marked changes. These changes affect the agent during each period in his career. Formerly the financing of the new agent during his early months under contract was considered almost entirely the responsibility of the agent himself or of his general agent. In recent years, many companies have developed salary plans or "advance without recourse" plans in which the company shares with the general agent or manager the cost of financing the agent during his first year or two years under contract. Through these plans the company makes a definite investment in the successful agent as well as shares the cost for terminating agents.

Changes in the established agent's contract have tended to increase the early renewals as an added persistency incentive, to reduce the number of vested renewals, and to pay the agent a persistency or service fee for business beyond the traditional tenth-policy year.

Pension provisions have also been added to the agents' compensation plan. For many years, a majority of Canadian companies had pension plans but few were in effect in United States companies. Today we know that at least 69 United States companies include pension provisions in their agent's contracts. This adoption by the United States companies during the last ten years of pension plans has been of outstanding significance.

It was long ago stated that the compensation plan should pay for what companies desire to have done. This has not yet been wholly achieved. Many of us realize that a sound plan of compensation may well compensate in different degrees for the various activities in which both the agent and the manager are expected to become active. We have by no means achieved the perfect solution in creating a sound compensation plan, but we have at least had the most healthy consideration of it in the last ten years which the business has ever seen.

ANOTHER branch of agency management where a thorough approach to the problem was achieved for the first time only a few years ago is in the matter of supervision and direction of our field forces. By this is meant the human relations problems which exist between the home office and the field, as well as between the manager and his agents. The Re-

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1920	17,682,232.00	410,320.55
1930	60,274,900.00	3,178,317.25
1940	155,000,520.00	11,692,823.81
1945	298,066,418.00	29,860,223.75
1946	333,000,000.00	35,300,000.00

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search Bureau broke new ground when it published its four volumes on "Morale," and we have followed this up in recent months by our studies of job satisfaction of both agents and managers. The field of human relations is something which we are far from having successfully solved either in the life insurance business or in other lines of business, but we in agency management have already made progress and more will occur in the months ahead.

FOR years, observers have spoken of the fact that, in common with other businesses, we in life insurance have used as almost the sole measuring stick of success by our sales force the volume of new business sold. There has been a very healthy trend in recent years on the part of individual companies to influence the quality of business sold, to keep records of terminations by individual agencies and even by individual agents. This has permitted the company to recognize that some agents who write a very large volume of business have a distressingly high termination figure. Gradually there has emerged a tendency on the part of companies to give recognition to the facts which these records created.

This effort to give recognition to men with good persistency took institutional shape in 1945, when there was created the National Quality Award. This award is intended to give recognition to those agents who sell a moderate amount of new business and have a superior termination rate during the next two years. The standards are not as high as many men would like to have them, but none the less the award draws attention to the significance of conservation and, in 1946, awards were made to 3,376 agents in the United States and 481 in Canada. This is most heartening to those of us who are interested in seeing greater emphasis placed upon persistency.

We are at a point of unprecedentedly low terminations at this time, especially lapses. That will not continue permanently, but we are already prepared to face an era of higher terminations with more equipment and a better attitude to combat it than we have ever had before.

EARLY in its operation, the Research Bureau attacked the problem of agency costs. At first, the Bureau was called upon to make analyses of agencies chiefly when they were in financial difficulties. Gradually, however, as the value of these analyses was established, general agents and companies alike recognized the value of "measuring agency profit" annually, as an aid to better agency management. Today the agency departments of many of the larger companies—whether general agency or branch office—have as a member of the staff an expert in the type of agency cost analysis originally developed by the Bureau. This type of financial supervision of agencies has become so much a part of company practice that we easily forget the era when the companies tended to maintain a strictly hands-off attitude on this subject, and general agents did not realize the value to them of guidance in these matters.

At the present time I believe an institutional committee of the Life Office Management Association is studying functional costs in agencies. These studies may well lead to revolutionary improvements in agency operation.

The step beyond agency costs is a consideration of the total cost to a company of new business. It has seemed to us in our office that the word "cost" does not connote accurately what is intended. In some of our publications we have endeavored to explain the idea that money put into agency management is just as much an investment as is money put into a bond or a mortgage. So far we have not made more than a modest beginning in clarifying the methods of determining what is a fair return. Gradually agency departments are developing machinery to study the results obtained from such investments, and these so-called cost studies offer a large field for further sales research in the future.

OUT of all these studies, out of all these discussions by committees, out of all these individual company experiments, we are seeking a better pattern of life insurance distribution to the public. We shall always have a sound foundation for our agency structure if we recognize that service to the public is the reason for our very existence.

It frequently seems that these agency management discussions do not reach basic problems. For example, the whole matter of training and compensation is related to the job which the incumbent is expected to do. It is trite to say that an agent is expected to sell. In most companies, he is expected to do considerably more than this, but there is a job yet to be done in clarifying both on an institutional and on a company basis just what it is that the agent or the manager should do. Job analysis in industry is now established procedure. Its application to field work in life insurance is yet to be made on a satisfactory basis.

During the years just behind us, the pattern of life insurance selling has actually taken shape sometimes in almost revolutionary form—for example, the evolution from the "hit-and-run agent" through the prepared sales presentation to the estate analysis work of our very best agents. The trend is clear. The pattern looks sound. Unsolved is the question of the hiring and training of agents to use it

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HOME LIFE INSURANCE COMPANY

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JAMES A. FULTON
President

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both effectively at the time of sale and long thereafter. Unsolved also is the question of what the business and especially the individual companies will do to follow through on this new pattern and all of its implications which the public is gradually beginning to understand. For example, we are holding out to the public the idea that we can do far more than sell an individual policy. We are announcing that we are prepared to analyze a man's estate and we send out agents to do it. Some of these agents are competent, others are not. But even with those who are competent there is a problem for the company in the matter of making sure that the implication or the implied promise to the public is kept by the company. Perhaps one of these very able experts in estate analysis dies. It is a large question to decide just how his work can be carried on so that the men who relied on him as a representative of the company in the past will continue to be able to rely on the company in the future. We have clearly created a plan, we must now prove that we can make it work.

We have now reached the point in the evolution of life insurance selling where we have a small but growing group of men who are operating on the distinctly professional basis. Their presence and their work are an indication of the fact that we all are beginning to recognize that the existence of life insurance must necessarily rest upon service to the public rather than on anything else. As we increase the number of agents who do their work on this basis, we shall more and more be earning the recognition of the true professional nature of life insurance selling.

We hear much these days of free initiative and free enterprise. Agency management is worthy of the most careful study in order to make certain that it continues with all the advantages that free initiative and free enterprise can give it. From the T.N.E.C. investigation we received many hints of practices which could be improved. We have harkened to these hints moderately but not as yet adequately.

The past few months and years have seen unprecedented sales of new business. Wise is the agency officer, the manager and the agent who realizes that in such "lush" times, mediocre selling and mediocre management can survive—can even produce good results—but that the more difficult times which are surely coming will throw such practices into the discard and reward only those which are sound both in conception and execution.

This quarter century in agency management which I have been discussing has developed many improvements now sufficiently time tested to prove their value. We have made progress in the analyzing of our problems before applying a solution. We have reduced the trial and error basis which, for generations, produced poor service to the public, a distressingly small income for many agents and the consequent waste of both effort and money occasioned by high turnover. Like the best practice in law and medicine, we have started toward prevention rather than cure. But we have not made more than a good beginning.

We inherited many traditions, many accepted ways of thinking and acting. To some extent we have challenged these practices, and the results of that challenge have been good. What we need in the months and years ahead is more of that inquiring attitude—we need it both among home office officials and field men. In fact, I am strong in the belief that both classes of men have benefited in the past far too little from the experience of sitting around a common table. It is the give and take of such discussions—often laborious, often requiring vast patience—that will breed the kind of thinking from many different points of view which is essential to progress. Such a pooling of attitudes, of hopes—even of prejudices—seems to me to hold greater promise for improvement than any other forum which I can picture. When we bring together the "general staffs" of agency men from the field and the home office, we shall greatly increase our likelihood of solving some of our agency problems.

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Kansas City Life was one of the first, if not the first company, to add the double indemnity clause. As it appears in a rider page dated 1913, the clause reads:

"Double Indemnity. Should the death of insured under this policy result from the effects of an injury through external, violent and accidental means (during the premium paying period herein) and such death occur within ninety days from the happening of said injury the amount payable hereunder will be . . . dollars."

Greater Rights for Beneficiary

National Life of Vermont in 1893 copyrighted its "insurance rights" agreement, which reflected the idea that insurance companies owed some service to the beneficiaries of their policies. Theretofore the policyholder was the person primarily considered, and a company's service ended with his death and the immediate payment of the proceeds.

The insurance rights agreement was applicable to any policy and at either endowment or death. Payment was to be in any number (from one to 20) of equal annual installments according to the table in the agreement, as the insured might direct. He could also name a second beneficiary to receive the installments if the first died, and could change at will both the recipients and the number of installments. He could secure payments for life by using the single payment to purchase an annuity.

This, I believe, was the origin of the present common supplemental agreement giving this settlement service to the beneficiaries of any policies.

An old circular of the company, discussing the purposes of the agreement, refers to "many instances * * * when money promptly paid on * * * policies, had almost at once been idly dissipated, or become a source of anxiety to people unfamiliar with business, or been misapplied by legal representatives, or lost in bad investments. * * *"—Guy B. Horton, historian of National Life's first century (1950).

December Rebating

Some 40 years ago or more when life companies were putting on high pressure for business, every possible incentive was offered the agent to get applications. The most successful was to pay a high commission and reward him in addition if he filled a certain quota. That led to the rampant rushing December rebating days. Agents were eager to make their quotas so they could get the extra compensation. From 50% to 75% of the commission was rebated. That month was an orgy.

A Sales Bulletin to Agents—1897

Fifty years ago George W. Perkins was third vice-president of New York Life. He is regarded as one of the great agency men in life insurance.

In those days New York Life branch offices had old time roll top desks. There was a framed card signed by George W. Perkins in these offices which read, "Shut down those desks." It conveyed a very healthy lesson.

Mr. Perkins used to write weekly bulletins to the field force. Some of his suggestions to agents could be appropriately reissued today, written as they are in vigorous language and aimed at stimulating men to greater endeavor and increased sales.

Here are excerpts from a Perkins bulletin from the New York Life files:

THE LAZIEST WHITE MAN I EVER MET

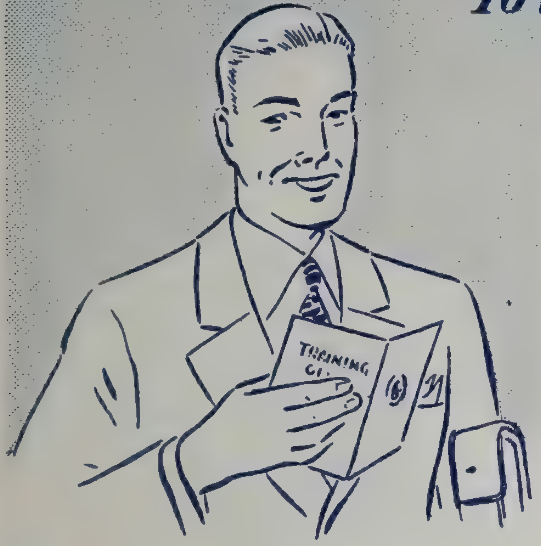
The following is an extract from a letter received . . . from Daniel Boone, the company's agency director at St. Louis:

"I have your favor of the 31st ult., enclosing letter from Major . . ., of . . ., Mo. I have known Major . . . for at least 30 years. He is one of the finest fellows in the country and about the laziest white man I ever met. The trouble with him is that he would not know a prospect if he would meet it in the middle of the road, and if he should run across a man who wanted a policy, and some one else would give him a chew of tobacco and begin talking politics to him, he would quit the prospect in a minute. The Major is a gentleman in every sense of the word, but we need never look for very much business from him."

That's it. That hits the nail right on the head. That describes about "forty eleven" people whom the writer knows personally. If Mr. Boone had written a book on the subject of . . . why certain men do not get business, he couldn't have covered the ground more thoroughly than in the above statement. The trouble with a great many men in this and other lines of business is that they don't buckle down to their work, bury themselves in it, forget everything else, and assume such personal management of themselves as will enable them to control their inclinations to do that which is easiest, that which is pleasantest, and make themselves do that which is practical, that which means business.

Do you suppose, if a man were going down the street to get ten dollars or any other sum of money from a man for some work he had done, and knew that if he didn't get there at exactly such an hour he wouldn't get the money, that anything could detain him from keeping that appointment at the exact minute, that anything could keep him in the hotel reading the morning paper or a novel, or, in short, that anything would prevent his getting there on time to collect the cash? Well, we rather think not,—and yet, every time we see a man under favorable auspices, and talk life insurance to him, we don't know but that before we leave that man we will make, in commissions, far more than $10. It all boils itself down, gentlemen, to the old, old story of time being our stock of goods, our capital, our all.

. . . It may be that, in your case, politics do not keep you from promptly following up your prospects,—but examine yourself honestly, carefully, to see if there is any other thing that does deter you from making the most of your time, and if there is, sail right into that habit and conquer it instanter!



To the Career Underwriter

THE PAN-AMERICAN LIFE OFFERS . . .

A complete line of Policies on Participating and Non-Participating Plans. One of the most liberal Agency Contracts in America. A Recruiting Plan and Special Training for New Fieldmen. A New System, relieving General Agents from detailed Agency Accounting. Attractive and Effective Sales Aids and Policy Illustrations. Prospects for Insurance furnished through a Proven System.

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OVER A QUARTER OF A BILLION IN FORCE

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For Information Address:
CHARLES J. MESMAN, Superintendent of Agencies

•

Pan-American Life Insurance Co.

NEW ORLEANS, U. S. A.
CRAWFORD H. ELLIS, *President*

EDWARD G. SIMMONS *Executive Vice President*	KENNETH D. HAMER *Vice Pres. and Agcy. Director*

PACIFIC NATIONAL LIFE ASSURANCE

"This is the place"

1847—Utah Centennial—1947

18 Years Old

JUST COMPLETED

50 Million

OF INSURANCE IN FORCE

operates in

CALIFORNIA - WASHINGTON - OREGON
UTAH - IDAHO - NEVADA - ARIZONA
MONTANA - WYOMING *and* COLORADO

PACIFIC NATIONAL LIFE ASSURANCE COMPANY

HOME OFFICE — SALT LAKE CITY, UTAH

RAY H. PETERSON, *President*	**KENNETH W. CRING**, *Superintendent of Agencies*

A STORY OF TEAMWORK IN INSURANCE SUPERVISION

CAPABLE ADVISERS, EX-SUPERINTENDENTS, AID ONE ADMINISTRATION OF N. Y. DEPARTMENT

BY G. S. VAN SCHAICK

WHEN I came to the New York insurance department in March, 1931, I was fortunate in meeting almost immediately a group of former superintendents of insurance of the state of New York who gave unsparingly of their time as I needed help and guidance. Inasmuch as C. M. Cartwright has invited me to write some recollections of insurance supervision for the 50th anniversary number of THE NATIONAL UNDERWRITER, I shall take the opportunity of speaking of this group of men whose names have been widely and honorably known in insurance circles through the years. With one exception all are still living and I am happy to count them among my good friends.

The first of the group was William H. Hotchkiss, who has one of the clearest minds I have ever met and whose concept of proper insurance supervision has never been excelled. During the time that I have been in the insurance field Mr. Hotchkiss has been known as the dean of insurance superintendents. He was appointed by Governor Charles E. Hughes and came to the New York department as superintendent after the Armstrong investigation which had placed Mr. Hughes in the gubernatorial chair. The Armstrong investigation had brought reform statutes almost revolutionary in character. It fell to Superintendent Hotchkiss to reorganize the New York department and bring it to a much higher degree of efficiency than had theretofore existed.

I was naturally pleased that Mr. Hotchkiss was one of the first, after my appointment, to call at my office in New York and offer his services. From that point on I leaned heavily on him. He was a Republican; I was a Democrat. Originally he had been a Buffalo lawyer and had served there as referee in bankruptcy from 1895 to 1909. He was a highly-educated, skillful member of the bar whose intellect has kept alert and keen through the passing years. He had been graduated from Hamilton College in 1889 and in 1929 had been honored with the degree of doctor of laws. His legal lectures at the law schools of Cornell, Buffalo and New York University had attracted wide attention.

Early telephone.—From "Cavalcade of Camden Fire."

During his first year at the department, in 1909, Superintendent Hotchkiss successfully pressed for legislation which reformed the proceedings in the liquidation of insolvent insurance companies. The legislation which he succeeded in obtaining was known as Section 63 of the New York insurance law. This provided for the superintendent authority to conduct the liquidation of insolvent insurance companies in a manner similar to that which had been authorized in the case of banking institutions. This was looked upon in some quarters as revolutionary but it was greatly needed. It had a far-reaching and salutary effect not only in the actual methods used in liquidations but in bringing about higher standards of practice in the whole insurance field. It fitted the need at the time of enactment.

Late in 1931 and just prior to the 1932 session of the legislature I asked Howard C. Spencer of the Rochester bar, who was an attorney in the liquidation bureau of the New York department, to draft a proposed revision of Section 63 along lines which he had discussed. He submitted to me what is now known (with a few minor changes) as Article XVI of the New York insurance law. Its inherent merit impressed me at first reading. However, I preferred to have Superintendent Hotchkiss' comment above all others. One question in my mind was whether he would think that one of the outstandingly constructive achievements of his administration as superintendent of insurance should be let alone. Mr. Hotchkiss took the proposed legislation and studied it. A few mornings later he told me that he thought it had much merit and advised me to have it introduced in the legislature.

"Of course," he said, "it is long and it is difficult for a layman to understand; and it undoubtedly will have no chance of enactment this session. However, the discussion of it will prove valuable and perhaps another year it may have a chance."

I had it introduced. A hearing was held and I explained the proposed measure and advocated its passage. To my astonishment it was enacted without delay. I wrote a memorandum to Governor Franklin D. Roosevelt recommending its approval and the bill was signed and became law in March, 1932.

Thus, almost providentially, there came into the New York insurance law new and valuable machinery to meet the crisis in insurance which was to follow in the succeeding year. The article changed the approach to the problem of the delinquent insurer and emphasized rehabilitation and conservation rather than liquidation. The purpose of this change was to afford an opportunity to study the possibilities of reorganization and to consider how substantial income-producing portions of the business of an insurer might be preserved as a going business for the benefit of creditors.

The theory of rehabilitation was to provide the necessary breathing spell during which the status quo could be preserved. Viewed at this distance it was a most constructive piece of legislation and a definite advance over the former procedure. Superintendent Hotchkiss and Mr. Spencer, the drafter of the legislation, are entitled to unlimited commendation for the part they played in obtaining a far-sighted statute which was to prove most fortunate for the public and of widespread assistance in the conservation of insurance company assets in the dark days of the early thirties.

IN the group of former superintendents were two other Republicans who cast all partisanship aside in their cooperation—former Assemblyman Jesse S. Phillips and Col. Francis R. Stoddard. They were both devoted in their friendship and help to me and were both extremely cooperative all through my administration.

Jesse S. Phillips had come from Andover in Allegheny county in upstate New York. He had the rugged positiveness which made one think of the rock-ribbed hills of his native county. He had a vocabulary which was unique and forceful and a fund of legislative reminiscences that was delightful and constructive. His sense of humor was irresistible. It is true that he was an intense partisan but this characteristic never showed itself in his attitude toward insurance supervision. He was for strong supervision at all times with all the force at his command.

Mr. Phillips' ten year service in the New York assembly had been constructive and conspicuous. His experience in the ways and means committee and as chairman of the judiciary committee fitted him well for the insurance superintendency to which he was appointed by Governor Charles S. Whitman in 1915. He filled the office until 1921.

G. S. Van Schaick

George S. Van Schaick served as New York superintendent of insurance from March 4, 1931, to May 10, 1935. He is a lawyer and was in active practice at Rochester, N. Y., for more than 25 years. In 1936 he went to New York from Rochester as vice-president of New York Life in charge of the real estate and mortgage loan department, which position he now holds. His interest in strong insurance supervision was developed during the hectic years in which he served in the supervisory field.

Mr. Van Schaick is a graduate of St. Lawrence University and the Yale Law School and in 1936 the University of Rochester conferred on him the honorary degree of Doctor of Laws.

Mr. Phillips' administration of the department was replete with important matters and developments. Workmen's compensation had been inaugurated in the state in 1914 and the question of proper rates and coverage was a pressing one. An investigation of fire insurance rates was made in the interest of public protection. Probably the most important of his official acts had to do with the mutualization of Equitable Society which had been begun in 1909. It was a slow and intricate process. In 1918 Superintendent Phillips gave his consent and approval to the plan in a memorandum as to the legal and factual points involved which has become an authoritative ruling on the question of mutualization.

It was Superintendent Phillips who figured in one of Governor Smith's stories which at the time convulsed the nation. As I remember Governor Smith's telling it, the circumstances were as follows:

The time was in 1912 when Governor Smith was minority leader in the assembly. A legislative battle was raging. Someone interrupted to say that Cornell had won the boat race. E. A. Merritt, majority leader, said, "That means nothing to me. I am a Yale man." Another member of the assembly said, "That means nothing to me. I am a Harvard man." Assemblyman Phillips spoke up and said, "It means nothing to me. I am a U. of M. man." Whereupon Assemblyman Smith said, "It means nothing to me. I am an F. F. M. man." Someone shouted, "What is that Al?"

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An Unequaled Record in Kansas!

Thirty-six Years Old and A Giant in
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the Southwest

Never before has any Kansas Life Insurance Company accumulated such a volume of business in force—

OVER $90,000,000.00

Never before has any Kansas Life Insurance Company paid out such an amount of money to its Policyholders and Beneficiaries—

OVER $1,000,000.00
SINCE ORGANIZATION

Kansas' Greatest Life
Insurance Company

The Farmers & Bankers Life Insurance Company

Home Offices **Wichita, Kansas**

"Policies That Protect"

Thirty-Seventh Annual Financial Statement to

National Guardian Life Insurance Company

Policyholders

For The Year Ending December 31, 1946

Balance Sheet as of December 31, 1946

Assets	% Total	
Bonds	72.09	$14,796,136
Mortgages on City Properties	19.69	4,042,452
Policy Loans	3.47	712,190
Preferred Stocks	1.25	255,590
Premiums due and deferred	1.15	236,822
Home Office Building	.94	194,000
Cash in banks	.72	148,132
Interest accrued	.42	85,437
Real Estate Sold on Contract	.20	40,786
Farm Mortgages	.07	14,078
Total	100.00	$20,525,623

Liabilities

Reserve on Policies and Annuities	$16,117,343
Policy Proceeds Left with the Company	1,273,258
Dividends Left with the Company	1,009,193
SURPLUS as regards Policyowners	870,566
Due on U. S. Government Bond Purchases	400,000
Premiums Paid in Advance	325,102
Dividends Apportioned to Policyowners for 1947	198,175
Suspense Items	117,216
Unpresented Death Claims & Bills	92,195
Special Reserve to Complete Mutualization	76,558
Reserve for Payment of Taxes in 1947	25,000
Miscellaneous Liabilities	21,017
Total	$20,525,623

Insurance in Force—$81,412,931

Gain in 1946—$8,962,093

He replied, "Fulton Fish Market. Let's proceed with the debate."

SUPERINTENDENT Phillips' successor also had a western New York background. Col. Francis R. Stoddard, a graduate of Harvard and of the Buffalo Law School, was appointed by Governor Nathan L. Miller in 1921. He had served from 1915 to 1921 under Mr. Phillips as deputy superintendent of insurance in charge of the New York office. Previously he had served three terms in the New York assembly. Of noted ancestry, he brought to the department a background not only of extensive legal and insurance experience but of an honorable and extensive military experience as well. Col. Stoddard's first deputy was James M. Lown, one of my contemporaries at the Rochester bar and one of my closest friends. It was through him that I met Col. Stoddard very shortly after my appointment in 1931.

During Col. Stoddard's administration of the department, rate-making assumed a most important place. It was through his recommendations that the power of the superintendent over rates was considerably extended. Col. Stoddard strenuously fought unfair discrimination and was highly successful in developing methods for the control of acquisition cost of insurance. He was a strong advocate of policies with broader coverages and was responsible for the introduction of legislation, which eventually became law, providing for the taxation of marine insurance on the basis of underwriting profit rather than on premium volume.

When Governor Roosevelt appointed me he said, "There is to be no politics in the insurance and banking departments of this state." I took that statement literally, as it was intended. From the outset Messrs. Hotchkiss, Phillips and Stoddard took this for granted for they never so much as mentioned any difference of political viewpoint nor did they hesitate to help in every way possible to make my administration a success. As a matter of fact, in one political campaign when my administration was being bitterly attacked and maligned, Superintendent Hotchkiss publicly rebuked his own party for the groundlessness of its attacks, characterizing certain of its platform statements as being "unfair and untrue".

JAMES A. Beha, the only one of the group of former superintendents who has died, was an unusually able and positive public official. He served as superintendent through three administrations of Governor Smith. He was referred to by some as the user of the "big stick" in insurance supervision. I can recall that my first reaction to this characterization was that there are better methods than compulsion and that I would employ them. I do not believe that I became hard-boiled and cynical after six months as one friend had prophesied I would; but I did come to realize that the Beha technique was at times mandatory. There is no success to be had in insurance supervision by soft insistence. What is constantly needed by a successful superintendent is the ability to say "yes" and "no" and "do" and "don't" with a fair degree of promptness and forcefully enough to be understood throughout the entire insurance field.

Mr. Beha had a wonderful sense of humor, a keen grasp of the problems of the insurance field and an abiding faith in strong administration. His towering presence made him conspicuous in any gathering and his contribution always equalled his commanding appearance. Tireless in his help to me as superintendent, he was always a genial loser when one went counter to his advice and counsel. He was a successful lawyer with an upstate New York tradition which in later years took him back to his ancestral acres in Lewis county where he spent many happy hours. His untimely death at the peak of his powers was an inestimable loss. I have seldom lost a friend whose presence and association were so delightful, due in part to our thinking much alike on many matters. He was a staunch and loyal friend.

It was during Mr. Beha's term of office that the federal courts were called upon by him to define the extent of his authority as superintendent over foreign insurance companies' investments in connection with the issuance of licenses to do business in the state. The law of New York restricted investments of a certain portion of capital funds so as to prevent more than 50% investment in stock of other insurance companies. Superintendent Beha withheld the license of a corporation of another state unless and until it brought its investment practices in general accord with the New York law. This was strongly resisted as being the exercise of extra-territorial powers. Mr. Beha won his case on the ground that the power of the state to protect its citizens from incursions of irresponsible companies was not only constitutional but vital to public protection. The United States Supreme Court affirmed this decision. It constitutes one of the important legal milestones in the history of insurance supervision. Its full import, however, remains to be seen in the light of more recent decisions relating to insurance as interstate commerce.

The remaining member of the unusual group of which I speak was Judge Albert Conway, at that time county judge of Kings county, later to become a distinguished member of the supreme court of New York state, and still later to be promoted to membership on the New York court of appeals, a position which he still occupies with distinguished honor. Judge Conway, appointed by Governor Roosevelt in 1929, had occupied the superintendency but 18 months when he left to assume his judicial duties. I had known him slightly through the years but heard a great deal of him when I came to the insurance department. A close adviser told me that one of the treats of his life had been to see the workings of such an exceptional legal mind as Judge Conway possessed.

TWO matters in Judge Conway's administration stand out particularly. One was his successful sponsoring of an amendment to the statute affecting acquisition costs of life insurance companies. Hearings were held which were attended by life insurance actuaries and other company executives and agents; and the legislation was enacted in 1929.

Another matter of Judge Conway's administration that always impressed me with great force was his impatience with the amount of litigation which seems to be necessary in enforcing insurance claims. In a public address in 1929 he advanced the proposition that if insurance could only be sold minus litigation it would be a consummation devoutly to be wished. No one can occupy a supervisory position without feeling great sympathy for that position. Adjustment practices that are unfair or litigation that is based upon highly technical defenses tend to discredit insurance generally. There is no question but that Judge Conway's attitude and comments helped to bring about a better standard of settlements than had formerly prevailed.

All these ex's greeted me at a luncheon in New York given by former Deputy Superintendent James M. Lown a day or so after I assumed office. It was a unique group. Each was an exceptional lawyer both by training and experience. Each was entirely different from the others. Each was intensely interested in the New York department and in insurance supervision generally. Each had his own views and theories and ideas of supervision. Yet each was tolerant of opinions other than his own. Seldom, if ever, has a new public official been supported by his predecessors as was I. I doubt whether any group ever worked together with such wonderful teamwork as did this group of ex-insurance officials.

It was always astonishing to me how quickly these busy lawyers could be assembled. A call would be put in

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An Agency conscious company, with a rate book full of complete coverage including non-medical juvenile contracts from birth, provides a most satisfactory working agreement for field men. Once a Scranton man always one—*Ask any Scranton Life Field Man Why.*

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LIFE INSURANCE CO.
SCRANTON, PA.
ROBERT MERRIMAN, *President*

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In its 37th year, The Ohio National Life Insurance Company is proud to be a part of this industry so vital to the welfare of the American people.

THE OHIO NATIONAL LIFE INSURANCE CO.

Over 320 millions of life insurance in force

Cincinnati, Ohio T. W. Appleby, President

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FRANK W. BLAND

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Agency Opportunities—California, Colorado, Illinois, Indiana, Michigan, Missouri, Pennsylvania, Ohio, Oregon, Texas and Washington.

Writing life, accident and health, hospitalization.

Beneficial Standard Life Insurance Company

724 SOUTH SPRING STREET LOS ANGELES 14, CALIF.

and in half an hour they would be present at the department, except, of course, for Judge Conway, who was a sitting judge and was not available to attend meetings, although he generously and repeatedly helped with his counsel as opportunity presented. The others, however, seemed to be able to drop anything they were doing in order to come to the department immediately when requested.

Albert Conway

W. H. Hotchkiss

I shall never forget the great debate at the New York meeting of the insurance commissioners of the United States in the late fall of 1931 on the subject of valuation of securities. There were few precedents by which to be guided. Proper valuation of assets had always been a nebulous matter. The statutes were vague. The times were critical. If usual standards of valuation were to be used — that is, the stock exchange prices from day to day, which at that time were fluctuating rapidly — then many of the fire and casualty companies would be near the brink of trouble. It seemed ridiculous that essentially sound companies should be considered insolvent or impaired because the stock exchange had become veritably an auction block.

The debate on this question in the commissioners' convention was strenuous and at times almost bitter. I shall always remember the moral support which came from Hotchkiss and Phillips and Stoddard and Beha and Conway, all visitors at that meeting and all convinced that the advocacy I was making of the range of the market over a period not too remote as a standard of valuation of securities was sound. To have lawyers of the standing of this group give endorsement and encouragement was support indeed.

It was a battle royal, but we won the fight. Now as one looks back at it the wonder is that at such a crisis there should have been substantial opposition. It must be remembered, however, that the statutes then were not specific in regard to the authority of a supervisory official to establish standards of valuation. That came later. We were then blazing new trails through a morass of uncertainty. It was highly important that the action of the New York superintendent be given the support of his fellow commissioners. That such support was forthcoming indicated that state supervision could function well in a national crisis.

LATER on this informal group, with the exception of Judge Conway (whose official duties on the bench made it inappropriate), became members of the Insurance Board of the State of New York. This happened in 1933. Herbert H. Lehman was governor. He had had a wide experience in financial matters. He was intensely interested in the public stake in financial institutions under the supervision of the state which he headed. He was helpful in advice and guidance, and his interest in strong supervision was unflagging in spite of the varied and multitudinous responsibilities which he carried.

F. R. Stoddard

J. A. Beha

Early in his first administration I talked with him about the new liquidation and rehabilitation provisions of the New York insurance law which had been enacted in 1932 and pointed out the more efficient methods available in case large institutions in the insurance field failed to weather the impending storm. In that connection we talked about the Banking Board which had been previously set up in New York state and which was of much assistance to the superintendent of banks. I recommended that some sort of insurance board be established to render advisory service in the insurance field, particularly in the troubled days which lay ahead. As a result the Insurance Board of New York was authorized by the legislature and in the first membership were included Messrs. Hotchkiss, Phillips, Stoddard and Beha. Two additional members were Aaron Rabinowitz, a well-informed leader in the real estate and mortgage field, and Matthew Woll, who was president of Union Labor Life and a leader in labor circles. Throughout my term of office I found this board of great assistance, as I felt certain would be the case because, as I have said, a majority of its members had previously functioned unofficially in that capacity.

To write this article without referring by name to my staff at the New York department of insurance seems like a glaring omission. These ex-superintendents to whom I have referred advised on major matters. So also did as fine an administrative staff as I have ever known. A description of that staff, however, must be reserved for another occasion.

Why Wanamaker Bought Policies

MR. JOHN WANAMAKER was asked the other day how it was that he became the largest insured in the United States, carrying 62 policies, and gave these five reasons in reply:

"1. I was insurable, and accident or ill health might come at any moment when I would not be insurable.

"2. Life insurance is one of the best forms of investment because it gives after one deposit an instant guarantee that may repay principal and interest, and more.

"3. Life insurance in the long run is a saving fund that not only saves, but takes average care of my deposits, and takes me into partnership, into possible profits, that not infrequently return principal and interest, and profit.

"4. Life insurance regarded from the standpoint of quick termination is more profitable than any other investment I could make.

"5. It enables a man to give away all he wishes during his lifetime by providing an estate for those left behind." — From a pamphlet first issued 50 years ago by Connecticut Mutual Life. The company has a modern "John Wanamaker Pamphlet" which it uses today.

Group Policy Was Written in 1854

On February 22, 1854, Manhattan Life issued policy No. 2645 in the amount of $21,000 and calling for a premium of $840. This was the first—and last—group policy issued by the company.

The insurance was effective on a shipment of coolies by the ship "Sea Witch" from China to Panama, the total value of the risk being $84,000, Manhattan Life assuming one-fourth of the risk, or $21,000. If the number exceeded 700 but not 800, the value on each was to be the product of $84,000 divided by the actual number of coolies shipped. This number was 720, making the value of each coolie $116.67. Of the 720 shipped, 14 were lost by disease during the voyage of 64 days, making a total loss of $1,632.

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The National Underwriter Co.

and

"The National Underwriter"

. . . upon the completion of . . .

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of Distinguished Service

to the Insurance Business

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WE SALUTE THE PIONEERS of The National Underwriter — the late Edward Jay Wohlgemuth, famed publisher, organizer, executive, and C. M. Cartwright, distinguished Editor of fifty years service.

CONGRATULATIONS to President Howard J. Burridge, Editor C. M. Cartwright, Managing Editor Levering Cartwright, and their Associates.

OUR BEST WISHES go to The National Underwriter Co., "The National Underwriter," the executives, editors, and staff in all departments — all our friends.

"BON VOYAGE" on your second half-century of service. May the years ahead be rich in new achievements, outdistancing the high attainments of Fifty Years!

• • •

THE STATE LIFE
INSURANCE COMPANY
Indianapolis, Indiana

A Mutual Legal Reserve Company Founded 1894

THE MARK OF A CHAMPION

Staying power is the mark of championship performance in any field.

Fifty years of distinguished service to the insurance industry validates National Underwriter's claim to a preeminent position in trade journalism.

Congratulations on a job well done!

We are confident that your past record and present performances in the field of insurance reporting will assure us the pleasurable opportunity of renewing our felicitations upon your attainment of many anniversaries yet to come.

THE
HOME LIFE INSURANCE
COMPANY OF AMERICA

Daniel J. Walsh, *President*

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Charles T. Chase, *Treasurer*

Executive Offices: Philadelphia, Pa.

A New Idea In Life Insurance With A New Plan For Selling

Complete coverage in one package. Pays any kind of death except suicide first two years. Pays from first day for illness, accident. Includes surgical and hospitalization fees at a new low combined rate.

* * * *

Tested plan of creating leads.

* * * *

As little as three, one thousand complete coverage apps a week creates over a thousand dollars renewal the second year. In five to ten years you should build remarkable renewal income.

* * * *

Training in field affords an alert man an enlarged opportunity. Experience in insurance, while helpful, not necessary. Correspondence confidential.

Hugh D. Hart
Vice President and Director of Agencies

ILLINOIS BANKERS LIFE ASSURANCE COMPANY
Monmouth, Illinois

Merchandising Life Insurance

Ideas and changes companies and agents evolved in fifty years created today's high peak of acceptance by the public

BY EARL M. SCHWEMM

LIFE INSURANCE is the best sold idea in North America, and public acceptance was never greater than it is today. On an accelerating basis the public continues to appreciate and understand the multiple services rendered by life insurance.

In 1946 was reached a new high for sales to the people of United States and Canada, amounting to almost $25 billion. This was an increase of about $8 billion over 1945 and more than $6 billion greater than 1929, the old record year. There now are approximately 76,000,000 life insurance policyholders in the United States and Canada. Assets of all life companies total more than $50 billion, with about $175 billion of insurance in force. This is truly ample proof of the public's confidence.

The importance of insurance to the welfare of families and for the well being of individuals has universal endorsement from all sides. Banks and trust companies pay for advertisements recommending life insurance for innumerable reasons and uses. Budget experts give great emphasis to the importance of life insurance. Family counselors place life insurance among top items of necessity to assure family happiness and security. Great leaders, whether businessmen, statesmen, philosophers or churchmen—without reservation — recommend and endorse life insurance.

This is a far cry from the reception given life insurance by the public 50 years ago. In my opinion, this shift in public acceptance is the important change in our business during the last half a century.

The life business matured after the Armstrong investigation of 1906. Still, for a long time the public, in the main, considered life insurance only for the purpose of providing funds for burial needs and last expenses. Life was not so complex. The price level was low, and the importance of protecting income was not yet a sold idea.

A REAL surge in insurance came with World War I. The influenza epidemic emphasized the importance of protection. The government's granting of $10,000 War Risk Insurance gave a new meaning to human values. The idea of protecting and projecting human life values took hold. Companies played it up, and the public realized more and more the importance of income for dependents who had to have dollars to exchange for the necessities of life, whether the bread winner lived or died.

The economics of our way of life were becoming more complex. Industrialization stepped up and mass production arrived in earnest. Employers considered their responsibilities to their employes, and group insurance resulted.

Life insurance as a powerful instrument for thrift was recognized as a fact. The savings plan approach to life insurance was accepted and successfully used.

Many businesses were saved during the inventory depression of 1921 through liquid reserves in insurance policies. Business insurance henceforth became important as a tool in the salesman's kit.

The selling of needs got well under way in the early twenties. As life insurance became the most acceptable way of solving increased numbers of personal financial problems, the need for the better training of salesmen became apparent. Some companies were notable for their leadership in training programs. Training started to be stressed widely through the use of training courses and schools, varying in degrees with different companies.

In 1927 the Chartered Life Underwriter movement got under way. This movement grew as the professional aspect of insurance developed and as the need for more and more intelligent service was demanded to meet the increasing complexities of living. Today the American Society of Chartered Life Underwriters is an integral part of the business. The insurance profession owes a great debt to Dr. S. S. Huebner, not only for the C.L.U. movement, but also for his preachment of the principle of the underwriting of human life values and the development of the sinking fund principle, to say nothing of many other contributions.

The prosperous era of the twenties greatly influenced the selling of insurance. In the main, the old fashioned regular types of contract were sold. The average buyer was sure he could do better with his money than to invest it with an insurance company. Consequently it was an era of protection selling. True, there were annuities and investment contracts in the rate books, but their distribution was relatively limited. However, those who did buy were very fortunate because of the high guaranteed interest rate and the favorable longevity table used.

This also was the period of favorable disability clauses, and company competition resulted in the issuance of one clause more favorable than the other. Much selling was keyed to the disability benefits. Jumbo cases were common.

WITH the market crash of 1929 almost over night the superlative investment attributes of insurance were recognized by the public. The property aspect took hold, and we entered an era of selling insurance as property and as an investment as well as protection. Sales remained high for about two years after the market crash.

In due time the depression affected the business. It had a marked influence on the merchandising methods of selling our products. Annuities became very popular, especially the annual premium deferred annuity. Some companies by definite intent focused a goodly portion of their sales aids in this direction.

Immediately the depression resulted in a wave of disability claims. Disability rates had to be raised and the clauses restricted. This fact in itself served as a motivating element for salesmen to sell a large volume of business before a rate change. There were other upward changes to secure the required disability premiums. Thus the salesman had a new selling tool working for him, the "rising cost of insurance market." This influence did not stop with the disability clause alone but became more prominent with the decline in interest rates and the increased average age. This was particularly due to the fact that the buyer had the option of taking cash or choosing a life income. It was only natural that the healthy chose the annuity option. At regular intervals up to the present time, premiums were raised to meet a continually declining interest rate and to make provision for increased longevity. The effect, of course, was more pronounced in annuity contracts and investment types of life insurance.

THE importance of the incentive to buy before rate changes cannot be disregarded as an outside influence responsible for the purchase of an untold volume of business. The result has been to give buyers possession of merchandise valuable aside from the pure insurance benefit. By and large, the insuring public realizes that in its old policies are many valuable privileges that do not appear on page one of the contract. I am not unmindful of the fact that in recent years high national income has played an important role in accounting for the excellent persistency record, but equally responsible is the fact that the insured has very valuable possessions in his old contracts.

These valuable possessions in the form of high guaranteed interest rates and attractive options, plus favorable taxation benefits, influence the decisions of beneficiar-

Earl M. Schwemm, Chicago manager of Great West Life of Winnipeg, is one of the most active, resourceful and creative managers of the middle west. He graduated from the University of Illinois in 1924. In 1927 he took a rate book for Equitable Society and started looking for business. After achieving success as a personal producer, he was made an assistant manager in one of the Chicago agencies. In 1934 he was appointed agency supervisor of the company in Chicago. In 1936 he was appointed Chicago agency manager of Great West Life. At that time the Chicago agency held eleventh place among the company's agencies, and the placed business for 1936 was $1,700,000. By the end of 1938 the agency led the company and it has not relinquished first place since.

In 1944 the agency placed over $22 million of new business exclusive of group; the next year volume increased, and in 1946 new business exceeded $25 million. Mr. Schwemm has been active in life association work. He is a past president of the Chicago C.L.U. chapter and is past director of the Chicago Association of Life Underwriters. He is now president of the Life Insurance & Trust Council of Chicago and first vice-president of Illinois Association of Life Underwriters.

E. M. Schwemm

Congratulations
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ies relative to death claims. So we have witnessed an ever increasing percentage of death claim proceeds being left on deposit with the companies. This will continue to be the situation in a period of high taxes and low interest. More and more, companies are acting as conservators of capital in addition to their primary function of creators of capital.

In the early thirties national income dropped, banks closed and businesses failed. Life sales to business men diminished. Unemployment spread with loss of buying power. Management gave much attention to the matter of conservation of existing business.

On the bright side was the increased purchasing power of the dollar. Thus those who kept their jobs at the same or nearly the same salaries were favored prospects, and managers and general agents directed sales efforts to this white collar group. In this group as well as in other types of buyer groups, creative selling was needed.

THIS situation brought in an era of program selling and the two call type of interview selling became the popular technique. This involved first the fact finding interview with the attainment of the minimum requirements of the prospect, and the interview which showed the prospect what his present insurance would do and what additional insurance was necessary to complete a program of minimum needs.

The two call system required better trained insurance salesmen, which in turn meant better selection of new agents. In this period companies stressed standardized merchandising methods. Many companies used specialized names for their particular methods of fact finding and program selling.

The economics of these times, the standardized methods and the demand for better salesmen meant that home offices had to assume more supervision and direction within agencies. This applied along the line and included recruiting, financing, training and sales supervision. The industry recognized that scientific principles could be applied to agency management; and today it is merely a question of degree as to the amount of standardization and direction which each home office applies to its agency operations. In this respect the Life Insurance Agency Management Association has played a very important part. Companies availed themselves of the varied services and research material offered by the L.I.A.M.A. Each year the worth of its management schools became a better accepted fact until at the present time these schools have reached high popularity.

When the going was tough, managers and general agents in the main looked for as much help and guidance as possible. Anything that could aid the selling of insurance was welcomed. The sales ideas and the sales aids offered by the Diamond Life Bulletins, the Insurance Research & Review, and others attracted more attention with an ever-increasing demand for these services.

The activities of local life underwriters associations were stepped up in order to better serve the individual salesman. The National Association of Life Underwriters grew, becoming a more and more vital organization for the benefit of underwriters and for the welfare of the insuring public. During this same period the general agents and managers division of associations contributed increasingly to the standards of agency operations. The common problems of all agency heads were receiving intelligent attention as never before.

The advent of the Institute of Life Insurance was timely. Its worth as a builder of good public relations has been proven without question. A better informed public relative to life insurance matters

We are happy to add our humble tribute to one who has been for forty years an example, a counsellor, and a friend.

We salute Charlie Cartwright!

CENTRAL LIFE INSURANCE COMPANY OF ILLINOIS

Alfred MacArthur
President

FROM:

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and to the services rendered by the underwriter has resulted through the work of this organization.

While selling and management techniques were being adapted to the times, the thinking of the public was likewise being adjusted. The depression proved to people that ordinary property such as real estate, mortgages, stocks and bonds would not stand up as a sure source of income. And as people became income conscious, the popularity of insurance increased due to its fine record of safety during the depression period and the income guarantees of its contracts. Thus the desire increased for insurance income, and the annuity business boomed.

The depression was long and the clamor for security continued. Minimum subsistence became a political necessity. The Social Security Act became law January 1, 1937, and was amended to its present form January 1, 1940. Alert agency heads saw in this act great insurance possibilities if they geared the selling of insurance to supplement the benefits provided by social security. This was in contrast to those who sulked and believed that social security would be a detriment to life sales.

To capitalize on the Social Security Act meant additional training of the agent and the preparation of appropriate sales material by home offices. Those who used the social security approach and programmed insurance to supplement social security benefits, did—and are still doing—well. Thus we have another outside influence, a legislative creation which serves as a great asset in initiating sales.

CERTAIN trends were evident just before World War II. After national income turned upward and business activity increased, it was evident to the student of insurance that mass selling was to become more important. Also, due to increased income and increased employment, the great possibilities for juvenile insurance and sales to women as a major insurance market started to become apparent. The writing of business insurance again gained favor. Continually declining interest rates were responsible for some companies starting to withdraw certain types of investment coverages from the market.

The economics of World War II with its high national income, peak employment, high taxes and low interest, greatly influenced the selling pattern of the period. The income tax act of 1942 gave impetus to the mass selling trend, and resulted in the sale of a tremendous amount of insurance and annuities to underwrite the benefits of pension and profit-sharing plans. Though high taxes and the tax exemption provisions provided real stimulation for the adoption of such plans, social and economic conditions impelled—and will continue to impell—their adoption. For these reasons the future will see the continuation of such plans and wider use by companies that do not now have them. Retirement and profit-sharing plans are a permanent part of the business and financial economy.

All types of group coverages increased during the war due to increased employment, competition for employes, employes' demands for security, and tax exemptions granted the employer. More mass selling! This type of insurance coverage will not decline. It, too, has become a normal requirement of good employment. Life companies are not leaving the group field; rather, many new companies have entered it. The services provided by the various types of group coverages will increase and will be made available to workers of smaller sized companies. This social trend will not stop. The group coverage trend during 1946 was toward more complete programs, and this trend will continue.

Juvenile insurance is big business today. During the forties, companies liberalized and increased the type of juvenile coverages in order to capitalize on this lucrative field. Age of issue rules were reduced, and for those companies actively engaged in this business, practically all standard contracts are now available at birth. Many companies recently have entered the field.

In addition to the ordinary juvenile sales, there is an increasing number of large sized juvenile cases being sold because of high taxes and low interest. Juvenile insurance is going to be used as a method of estate conservation from generation to generation. Juvenile insurance will serve as a basis for the future retirement income for this generation through income contracts. Again the reason is that of high taxes and low interest and the availability of the annuity principle at maturity.

The future of juvenile sales is exceedingly bright both from a numerical and from a volume standpoint. Postwar population trends in this country are amazing and all favor juvenile insurance. The possibilities of juvenile insurance sales tied in with estate planning are unlimited.

Insurance sales to women boomed during the war. This was a natural sequence due to the higher wage scale and the vast increase in the number of employed women. True, agency heads directed sales efforts toward this market which had been created by the current economic conditions, but not comparable to the possibilities that were present. The end of the war does not mean a slackening in this market. The number of employed women during the war rose to 19,000,000 but the figures still show about 17,000,000 employed at present.

Business insurance was a very lucrative field during the war. Industry wanted to protect the economic worth of its most valuable asset, business brains. High taxes were another factor in making business insurance almost a necessity, since it became and still is practically impossible to pay off a principal obligation out of current income.

At the present time there seems to be no slackening in the selling results in the field of business insurance, and I feel certain this will continue as an important insurance market for years.

Akin to the business insurance field is the matter of employment contracts. High taxes and the desire for deferred income are fast developing a fine insurance market in this relatively new field. Insurance policies provide the method to underwrite for the corporation the benefits granted to an employe under the employment contract (the transactions are necessarily

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Life Insurance in force December 31, 1946,
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separate). There appear to be great potentialities in the immediate future for insurance sales due to the marked interest in the phase of employment contracts.

SALES efforts in the field of estate planning, as differentiated from programming, have been and are very productive for agents who do this type of work. This is a field of great opportunities for the advanced underwriter and a field which will account for a large volume of insurance both currently and in the future. High taxes provide the incentive and, as the public better appreciates the true meaning of high taxes and low interest, the demand for this type of service by a certain portion of the public will increase. This is another reason why the future for the well trained underwriter is so promising. This is truly a period of idea selling.

At the present time and for the future, managers and general agents have a great responsibility in being sure their salesmen know how to program insurance properly. Older policies have such favorable options that each salesman who does programming work has a real obligation to the insured to make certain that no mistakes are made in using the proper policy to cover the proper need. Planned life insurance selling will always pay off well to the competent and conscientious underwriter. The story of the proper use of options is in itself a very effective present day approach.

In reviewing production over the past decades, it is quite apparent that economic and social trends and general conditions affect the volume of sales, the type of coverages favored, and the methods of merchandising to meet a given cycle. Thus outside influences such as tax laws and regulations, social and economic trends, low interest and employment curves, are of prime importance in their effect upon the sale of insurance.

It is for this reason that I have the firm conviction that knowledge of life insurance alone is not the essential for the real pay-off in selling insurance. Rather, the pay-off is in the salesman's awareness and knowledge of the outside influences and in his capacity to interpret and anticipate these influences as the basis for his sales. On this assumption, agency heads have the responsibility of directing the sales efforts of their men along the most effective and profitable lines of selling endeavor in any given cycle. There is always a money wind for life insurance sales.

Selling based on this philosophy requires salesmen of real capacity. It demands training that is continuous and timely. To meet the potentials of present day and future markets, insurance salesmen must be high caliber men — men capable of counseling as well as selling. Management must set and maintain a high standard in their salesmen. This means a bigger investment, both of money and time in each man. The average salesman, in return, must become a much more effective producer, thus making good on the required increased investment.

AS AN aid to more effective production and timely selling to meet particular markets, home offices can help the field force in many respects. They should develop and direct a merchandising and selling philosophy. They should establish a research department, so to speak, which would serve to forecast selling trends and anticipate new markets. As a result of this research, they should be alert to issue new contracts or adjust existing contracts to the selling needs of the times. In general, educational facilities accompanied by timely and effective sales aids, need expanding.

Life insurance, serving as a means of underwriting individual and corporate financial needs and problems, should be an expanding process. It should never be static. Where certain contracts are desired by the public, due to current economic conditions, the insurance company should not withdraw them simply because the home office does not favor the contracts as written. Rather, the contracts should be actuarially adjusted on whatever basis necessary for safety, and thus still be made available for sale.

Through the past decades, the use of insurance has progressed from that of simple family protection to an instrument of finance for protection, investment, income benefits and estate conservation.

Outside influences have had a genuine bearing on this change. The men who sell this merchandise and the methods they use, have had to keep up with and ahead of these influences.

The business can look to ever increasing successes and greater areas of influence and prestige because the uses of insurance can be made to serve and fit new angles, new changes and new human problems. We say this with conviction because life insurance is humanly sound. It fits into life as life happens, always reaching a peak value when emergency events occur in the lifetime of an individual.

Field Messages

As set forth in the agents' manual, "Persons engaged in military or naval service" are risks not acceptable to the company at any time, and in connection with the prevailing uncertainties in Mexico, announcement is made that the company will not at this time write insurance on the lives of persons who are or who intend to be members of the national guard, or who undertake duties in any capacity that will take them to Mexico while the present troubles continue.—Union Mutual (Me.) "Bulletin", 1914.

There's LIFE in the BERKSHIRE
as aptly demonstrated by its
96 YEAR RECORD

During the last half of this time, we have followed the spectacular growth and development of the

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with more than average interest. Its editorial policy —its timely news items—its intelligent articles of value to all life insurance underwriters have contributed to its present outstanding position among insurance publications.

Now on this occasion as it celebrates its

50th ANNIVERSARY

we take this opportunity to extend heartiest congratulations and wish it many more years of continued service to the insurance fraternity.

THE Berkshire
LIFE INSURANCE COMPANY
INCORPORATED 1851
HARRISON L. AMBER, *President* PITTSFIELD, MASS.

ASK ANY ASSOCIATE

Here's How . . .

We extend sincere congratulations to Mr. Cartwright and to The National Underwriter on their 50th Anniversary

On Our 40 Anniversary

40th Anniversary YEAR.

Bankers Mutual Life Co.
ESTABLISHED 1907
FREEPORT, ILLINOIS

The Beginnings of Settlement Options

ONE feature which was known hardly at all 50 years ago is the payment of policy proceeds as income rather than in a lump sum.

In October, 1890, Mutual Benefit Life placed on the market an optional endowment policy. Under this contract, at the end of the endowment term insured had the choice of receiving a paid-up life policy for the face amount of the original contract and also an annuity of 4% instead of taking the proceeds in cash. This meant that a settlement was equivalent to modern interest income options because in fact Mutual Benefit guaranteed under the new contract simply to hold the proceeds of the policy and pay 4% interest thereon.

Companies at that time were writing a contract called an instalment bond. This provided for the payment of the face amount of the policy in equal annual instalments for a limited number of years—a plan similar to modern instalment settlements under settlement options. Mutual Benefit began to issue instalment bonds in 1893.

As early as 1896 that company was selling survivorship instalment bonds which differed from regular instalment bonds by providing that the instalment would be continued after the number of years during which they were certainly payable if the designated beneficiary should live to receive them. This modification of the instalment bond so that instalments were payable during the lifetime of the beneficiary is credited to Actuary Emory McClintock of Mutual Life.

In a discussion before the Actuarial Society of America in October, 1902, Mr. McClintock referred to the plan and said that he had devised it ten years previously. He developed the idea for the new contract as a combination of the instalment bond, which was very popular, and of a regular survivorship annuity which was not popular at all, although in Mr. McClintock's opinion it should have been.

Settlement options incorporated in regular policies seem to have been adopted by a number of companies at about the same time. In July, 1899, a Flitcraft Life Insurance Manual was issued which showed policy forms including the option of instalment payments of policy proceeds in the place of a lump sum.

On January 1, 1900, Mutual Benefit commenced the use of a new policy form which contained what were called special privileges Nos. 2 and 3, which correspond to settlement options 1 and 3 (that is, the interest income option and the instalment option) of the present contract. In the same year Northwestern Mutual and other companies included settlement options in their policy contracts.

WHETHER or not the companies included settlement options in their regular policies prior to the middle of the year 1899 is doubtful, but if any company did so the practice was not general. John W. Lunger in 1898 in a book entitled "Insurance, a Textbook," after referring to instalment bonds, said, "One of the prominent companies safeguards its insurance in another way. It will at the request of the insured attach to his policy a certificate in which the insured may define his wishes as to the disposition of his policy. Generally a beneficiary is named to whom a stated income is paid as long as the proceeds of the policy will permit." There is a tradition in Mutual Benefit that Vice-president Bloomfield J. Miller prepared typewritten forms prior to the year 1900 so that the proceeds of policies which would ordinarily have been paid in one sum would be paid in instalments.

After the adoption by Mutual Benefit of policy forms containing special privileges, the company continued to issue instalment bonds including the survivorship instalment bond up to the beginning of 1908. Legislation in several states made it practically impossible to issue the instalment bond at that time. However, a special privilege No. 4 then was added to the regular policy form. This corresponds to the present settlement option 5 or a life annuity with a period certain. Special privilege No. 4 accomplished the purpose for which the survivorship instalment bond had previously been used.

By 1908 Mutual Benefit and other companies had the three basic settlement options (interest income, instalment, and annuity) found in the contracts of practically all companies today and which are the machinery for a tremendously important life insurance service. Edward E. Rhodes, for many years executive vice-president of Mutual Benefit, once said "Settlement options make the purpose of life insurance secure." The growth of life insurance income service in less than 50 years has been spectacular. Currently, and for some years past, Mutual Benefit and some other companies have been settling more than half of the death claims each year on an income rather than lump sum basis.

Substandard Is Fifty Years Old

About 50 years ago New York Life began to write the first substandard life insurance business. In "The Story of Nylic," Lawrence F. Abbott comments, in part:

"In 1892 Dr. Oscar H. Rogers, then a young assistant medical director of the company, was called to the office of Dr. Tuck, the chief medical director, to confer with an important agent of the company who had come in to complain of the rejection of some of his applicants. 'Why,' exclaimed the agent bitterly, 'the mortality among your rejections is better than among those whom you accept!'

"This was a manifest exaggeration, but it set Dr. Rogers thinking on new lines. * * * He carried on for a number of years a scientific investigation of the effect of physical impairments on the duration of life. * * * As to impairments such as a consumptive family history, albuminuria, heart murmurs, overweight or underweight, and so forth * * * in the investigation inaugurated by Dr. Rogers records were obtained of those who were declined by the New York Life during the previous 15 years. Letters were written to the applicant, to his references, to agents and to every other available source of information, to ascertain whether the applicant was alive or dead, and if the latter, the cause of his death. The physiological history of a very large percentage of the rejected applicants was traced in this way.

"* * * The scientific studies were continued for a period of over three years, and it was not until July 1, 1896, that the first substandard policy was issued. * * *

"In formulating the mathematical system for the determination of the value of substandard risks, which should take the place of dependence upon the judgment of an

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NORTHWEST AGENCY BULLETIN

Irwin Mesher, Publisher

Official Publication
Washington Association of Insurance Agents
Oregon Association of Insurance Agents

744 DEXTER HORTON BUILDING, SEATTLE, WASHINGTON

individual medical expert, Dr. Rogers called in Arthur Hunter, who at that time was a junior member of the actuarial staff of the New York Life. Together these two men devised what is now known, not only in the New York Life but in life insurance companies generally, as 'The Numerical System.'"

To illustrate the numerical system, an applicant is 40% overweight. That degree of overweight produces a mortality of 130% of the company standard. He is a lawyer, and lawyers as a class possess a very favorable mortality—85% of standard. The value of the risk becomes 115 instead of 130. He has a heart lesion, a mitral regurgitation. These cases show on an average a mortality of 225%, 125% in excess of the normal. The value of this life is, so far, 240. Other factors—family history, personal history, etc.—are reviewed and found to be normal. The final summation of the value of the risk is 240.

"* * * The records of New York Life show that in 1896 its insurance in force amounted to $826,816,600 of which .01% was substandard business; in 1928 its insurance in force was $6,781,000,000 of which 10% was substandard business."

Field Messages

These are probably the best times there ever were in which to write new insurance. Though there are vast taxes and steady calls for funds from numerous directions, there are great numbers of men who are earning far more money than they ever did, and there is a smaller but still an extensive number who are making fortunes because of the great undertakings * * *. Thus it is that the number of men who are able to pay for life insurance are probably much increased, although they may be different men from those among whom you have worked. Business conditions have marvelously changed the situation. The men from whom agents have been expecting to secure applications are in no position to consider increasing their protection because of no advance in salary or that their particular business is out of touch with the war impetus, but to replace them is that vast array of workers who are receiving almost and perhaps fully twice what they ever did for a day's effort, with the day shortened, too, and those factory owners and contractors who are straining their facilities to meet government requirements. These are the classes toward whom canvassing should be directed, and while it involves a shifting of plans and the temporary disregardng of many prospects that were promising heretofore and will be again later on, large and effective work will only be accomplished just at this time by such agents as recognize the present trend of events and move in line with them.—Union Mutual (Me.) "Bulletin", 1918.

Life Premiums by City, 1897

In 1897, home offices of legal reserve life insurance companies were centered in 28 cities, as compared with 132 cities in 1945. The eight cities whose insurance companies had the largest premium income in 1897 and also the leading cities in 1945, with the order somewhat changed, are:

	Rank in 1897	Rank in 1945
New York	1	1
Newark	2	2
Milwaukee	3	5
Hartford	4	3
Philadelphia	5	6
Boston	6	4
Cincinnati	7	7
Springfield, Mass.	8	8

The premium income in 1897 of legal reserve life insurance companies is shown below by city. (Premium income in 1945 exceeded that of 1897 by $5 billion.)

Atlantic City	$ 37,993
Baltimore	339,379
Boston	9,301,017
Burlington, Vt.	134,161
Chicago	261,793
Cincinnati	3,895,244
Davenport, Ia.	27,908
Des Moines	506,501
Detroit	1,003,060
Hartford	14,599,890
Lincoln	76,543
Louisville	906,857
Milwaukee	15,122,470
Montpelier, Vt.	2,969,368
Newark	23,158,059
New York	148,160,755
Omaha	136,029
Philadelphia	11,301,309
Pittsfield, Mass.	1,780,124
Portland, Me.	1,182,965
Richmond, Va.	752,215
St. Louis	236,701
St. Paul	92,871
San Francisco	683,856
Springfield, Mass.	3,768,056
Topeka, Kans.	230,961
Wheeling, W. Va.	34,672
Worcester, Mass.	2,655,073
Total	$243,355,830

Agency Represents Company 86 Years

On March 9, 1854, James T. Phelps, Sr., sent his first application to National Life of Vermont, then only four years old, and thus began a long service as general agent at Boston for that company. Followed soon by his young son, James T., Jr., the agency became the leading one of the company, in 1860 producing 32.4% of National Life's business; in 1870, 32.2% and in 1880, 43.9%. In 1896 Mr. Phelps formed a partnership with Charles W. Gammons and J. Howard Edwards under the name of James T. Phelps & Company, and this agency continued to represent the company until July 1, 1940. Such service for more than 86 years made it one of the oldest life agencies in the United States in continuous operation under the same name.

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(Our 41st year)

NOT THE BIGGEST
($53,000,000 Assets)

NOT THE BEST
(Among 463 life companies there can be only one "best")

But a good life insurance company which has paid or credited to policyowners, annuitants and beneficiaries over $5,000,000 more than total premiums collected.

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Fifty Years of Organization

BY GUY T. WARFIELD, JR.

WHEN one traces the history of an organization its origin is usually found to have been a creation of necessity. Early man learned that his chances for survival were dependent upon group defense and mass action. Business, labor and the professions were quick to adopt this precedent when their rights or principles were placed in jeopardy.

After the restoration of order and security, the groups, organizations or associations were often converted to instruments of construction and development. Out of this transition has grown our towns and cities, the advancement of business practices and ethics, and the general betterment of the public welfare.

Insurance is no exception. Fifty years ago chaotic conditions prevailed in the business. There were no groups of insurers under common ownership or management. An insurance company was a pure individualist. All of the time of its management was consumed in protecting and enhancing its individual interests. Competition ran riot. Demoralization was on every hand. Confidence in the stability of the business was shaken. In this conflict the agent was a pawn.

Ownership of expirations was not recognized, resident agent laws did not exist. Rate cutting and overhead writing threatened the security of every single agency. Local boards as we know them today did not exist. The individual agent was impotent in his own defense.

Necessity served as the catalyst. Another association was born. This time it was the National Association of Insurance Agents. In 1896 a small group of agents gathered in Chicago with a fixed resolve "to oppose bad practices and support right principles in the business."

At first the organizers were chided and ridiculed. They were freely called heretics, crusaders and radicals. These jibes and jeers only served to speed up the job they had begun. Progress was slow. However, as each gain was scored, more and more agents rallied to the cause. State associations began to spring up. Local boards correspondingly grew in number.

Gradually the abuses were eliminated. As the National association grew numerically and in influence, arbitration of differences replaced the theretofore prolonged and costly disputes.

DURING this interesting period many serious problems have arisen concerning not only the business of insurance itself, but the livelihood of the insurance agent. Many of these questions have been resolved in such a way that the companies, the agents and the public have materially benefited. While some disturbing problems and distressing situations have at times seemed almost hopeless of solution, a frank and honest exchange of views by the parties in interest has again and again more than justified such effort.

I think it can be truthfully stated now that in the many changing and shifting developments during the last 50 years; in the advancement of this business; in the splendid record that it has achieved in the service of the public, the agents through their National association have had their full part.

I would be remiss if no comment was made on the contributions of the insurance press during this trying period. Time and time again its columns have served as the sounding board for conflicting views. Through unprejudiced and unbiased reporting, many of the seemingly insurmountable differences were clarified and reconciliations effected. At times words of encouragement through editorial expressions inspired the determined agents. It is particularly significant to note that THE NATIONAL UNDERWRITER came into being only several months after the formation of the National association, and it is therefore timely to salute a fellow 50th anniversary celebrant and recognize the valuable services performed by this publication in the interests of the insurance business.

Following the pattern of other organized groups the National association shifted its emphasis from a protective to a constructive force during the last decade. Education, agency management, production, elevation of agents' standards, agency company relations and public relations became the motivating interests.

Progress toward a more enlightened and liberal understanding of the common responsibilities and obligations of the insurance industry, both internally and externally, underlie the encouraging developments within our business in recent years.

Within agency ranks, a growing recognition is continually being manifested that only through the power of organization and concerted effort can the interest of the business and of the community be best served. This awakening is forcefully demonstrated by the substantial growth in the membership of the National association.

Organization permits of united action in such public endeavors as loss prevention work and the dissemination of insurance information to correct prevailing public

Guy T. Warfield, Jr., began his insurance career as a special agent of Aetna Casualty in Newark following his graduation in 1925 from Cornell. In 1927 he went to his home town of Baltimore to enter his father's agency, Warfield, Dorsey Inc., where he opened the firm's casualty and marine department. The agency is now a half-century old.

G. T. Warfield, Jr.

Mr. Warfield's specialty has been casualty and marine lines, although within the past few years he has devoted more and more time to fire. He became interested in the Maryland Association of Insurance Agents when it was reorganized several years ago, and served as president in 1941. He attended the Kansas City convention of the National association and became so enthusiastic that he immediately set about upon his return home to interest more Maryland members in the value of the national group. This interest led to increased participation in National association affairs and he became successively the vice-president and then president, his present position. He served as chairman of the executive committee of the Association of Fire Underwriters of Baltimore City, the last agency board in the country developing its own rating.

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Speaking of Anniversaries . . .

LAST month we had a few modest words to say about one of our own milestones—the Seventy-Fifth Anniversary of Operations of The London Assurance in The United States.

This month we are happy to salute the National Underwriter on the completion of fifty years of service to American insurance.

We would like to make this salutation a tribute to the *people* who are "The National Underwriter"—the staff men, editors and advertising folk whose good work is reflected weekly in one of America's finest trade journals.

We wish them all well—and look forward to working with them on even more impressive joint "jubilee" celebrations in the future.

The LONDON ASSURANCE
99 JOHN STREET, NEW YORK 7, N. Y.

misunderstanding of our business. It is the only procedure through which the standards of the American Agency System can best be improved, either by licensing legislation or better by education.

Industry-wise, the several technical committees of the National association have, in large measure, gained the confidence and cooperation of company organizations in the development of new policy forms and operating procedures.

Of course, there are problems, and paramount today is the legislative activity to conform to the requirements of public law 15. Conflicting views are inevitable on such a vital and all-encompassing issue. But how better can such differences be reconciled than through a free and frank discussion among accredited representatives of organized groups? The all-industry committee and similar bodies in the several states are shining examples of what can be accomplished. Here again, organization proves its worth.

Similarly, weaknesses in the insurance structure can be effectively remedied through the channels of organization. It is widely conceded that underinsurance, especially against fire loss, is as much of a hazard as fire itself. This condition has offered a serious challenge to the agency forces and to the companies. The ready acceptance of this challenge by the agents, as evidenced by the wholehearted support given the National Board campaign last year, offers convincing proof that the existence of a single medium through which such information can be directed, produces the desired result. True, much remains to be done on this job in the period ahead, but the agents are alert to the fact that it is a job that is well worth their best efforts, and one that will be repaid in general public appreciation.

It is also my opinion that a comparable campaign could be profitably conducted on the lack of insurance coverage in the liability field, especially automobile. Here is a real challenge that must be met in the immediate future.

With these observations, I cannot conceive of any development that will lend any encouragement to those who prophesy decline in the American Agency System. Our future was never more promising provided we continue to do our job as it should be done, for the public and the business as a whole.

How W. H. Bennett Became Secretary

It is interesting to know how Walter H. Bennett became secretary of the National Association of Insurance Agents. He resided at Quincy, Illinois, where he was states attorney, and where he also practiced law. He was a Democrat, and allied himself largely with the more progressive elements in the party. There was an effort made downstate to get a candidate for attorney general of Illinois. Mr. Bennett was approached on the subject, but he did not desire to enter politics.

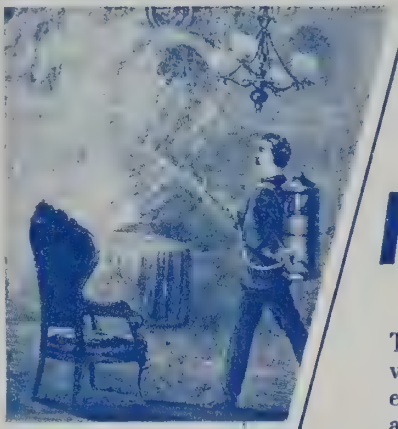
Later, however, when E. F. Dunne of Chicago became governor of Illinois, he appointed Mr. Bennett as state fire marshal. Associated with the office was Frank G. Morgaridge, who later became head of the arson department of the National Board. Mr. Bennett made a number of talks at insurance gatherings. He was an orator, well informed, had a pleasing manner, and soon became well known to the insurance fraternity.

In due season, the National Association of Insurance Agents was looking for a secretary. Manager W. E. Mallalieu of the National Board had met Mr. Bennett. Mr. Morgaridge spoke to Mr. Mallalieu about it and also to T. A. Fleming, who was formerly fire marshal of Ohio, and who had gone with the National Board. These men felt that Mr. Bennett would be "the right man in the right place."

Clarence S. Pellett of the Critchell, Miller Agency of Chicago at that time was very much interested in the National Association of Insurance Agents and was on the executive committee. He spoke in favor of Mr. Bennett. The committee got considerable information and then told Mr. Pellet that it would be highly desirable to get letters of recommendations from Thomas E. Gallagher, western manager of Aetna Fire, and C. M. Cartwright, managing editor of The National Underwriter. Both of these men had met Mr. Bennett, liked him very much, and did not hesitate to go on record for him. He was elected secretary of the association and served with great success for many years.—C. M. C.

Magill Dramatic End

One of the best known figures among western managers of years ago was H. M. Magill of Cincinnati, manager of the Phoenix of Hartford. He possessed the gentle art of writing letters and they impressed those who received them. Hundreds of local agents throughout the west treasured letters received from "General" Magill. He was a potent figure in the deliberations of the old Western Union. Ofttimes he was quite exasperating because of the firm stand he took. At a big anniversary banquet of Western Union at Thousand Islands, he committed to memory some verses he had written extolling the past presidents of the organization. He spoke in gracious terms of them as a group and then took each one separately and had some interesting and delightful recollection about him. While he was in the midst of his talk he leaned forward over the table and died.—C. M. C.



The early fire extinguisher limited in effectiveness but an important step in fire protection.

EFFECTIVE PROTECTION

The constant improvement and development of individual fire fighting equipment, giving present day homes and industrial plants effective protection, has also gone into the development and broadening of the modern fire insurance policy.

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Founded 1805

Executive Offices
Hartford, Connecticut

DEARBORN NATIONAL CASUALTY COMPANY

DEARBORN NATIONAL INSURANCE COMPANY

Head Office
TEN WITHERELL STREET
Detroit 26

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HEALTH—HOSPITALIZATION
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COLUMBUS — DETROIT — GRAND RAPIDS — INDIANAPOLIS — LANSING

Aviation Branch of the Business, Still Young, Looks to the Future

BY KENNETH FORCE

THE aviation insurance business is 20 years old, and like a young man of that age, has its future before it. It has learned a great deal in the years since 1927, and there is tempering to be done and wisdom to be gained ahead. But the business has acquired skill, judgment, and maturity without losing enthusiasm, and it knows how and has the ability and capacity to meet the needs of a vigorous and youthful business.

In 1926 aviation insurance premiums were negligible. They amounted to something like $200,000 in 1927, which was the year that Aero Insurance Underwriters was organized as an aviation insurance pool. The next year the U. S. Aviation Insurance Group was formed, and shortly thereafter Associated Aviation Underwriters. In 1940 Employers Liability entered the field, operating through Newhouse & Sayre.

In 1946 it is estimated that the premiums will come close to $20 million. In 20 years it has grown 100 times its starting size.

From the start the insurance markets devoted to this particular type of business offered all of the modern coverages needed in the aviation field. There have been improvements and modifications of policies with the years, but the basic forms of protection were on the counter from the beginning.

Volume developed slowly up to the second world war. In preparation for that conflict, impetus was given to the aviation insurance business. Premiums increased with the increased activity of manufacturers making planes for the United States and other governments. The government pilot training program, under which students were required to be insured for accidents and medical costs and the operator was required to carry public liability, provided another boost. This program continued until 1943.

Aside from the immediate benefit of raising the level of premium volume, these activities have had the long range effect of selling the idea of insurance to the aviation industry and flyers. Fixed base operators, for example, are used to the idea of buying insurance. Many of those who took the pilot training program are familiar with aviation accident protection.

As the government program for pilot training ended the business slowed down and continued at a reduced pace until the end of the war.

But in 1946 the anticipated expansion in flying occurred. There were 30,000 planes sold last year, the majority of them to fixed base operators. Many of these bases operated flying services, to which the ex-GIs could go for training, with the expenses paid under their bill of rights. Operators were busy in 1946. Just how they will fare in 1947 as these training courses start running off in the spring and summer, it is too early to tell.

Apart from the training of ex-GIs and airmail contracts, the government is not spending any money that would flow into aircraft operation. Hower, it does have an ambitious airport construction program. It shares half the cost of constructing airports with local governments. It is anticipated that in 1947 1,500 new airports in medium and smaller centers will be constructed.

As befits a young business, it is the present that is the most important concern to aviation insurance. Presently an unusual situation has developed. Two or three airplane factories are in financial difficulty and probably will go out of business. Some additional ones are expected to follow these factories into limbo. Others are making money. Peculiarly enough, these are manufacturers of the more expensive types of planes. They have plenty of orders on hand. There seems to be at present an over-supply of smaller aircraft, but this may be due in part to slackening of activity during the winter, which is a seasonal factor.

One of the marked characteristics of the aviation insurance business has been the gradual reduction in cost over the years. There had been no increase in rates for several years, until very recently. Labor and the cost of replacing parts both have risen sharply. Although rates were reduced in 1945 on public liability and property damage, the cost of settling losses has gone up, paralleling the experience in the automobile field. Loss ratios on flying services have been well over 100%. The aviation insurance business took a licking in 1946.

One cause of the 1946 story is that aviation suffered from nerves, a letdown from the war. Both the frequency of accidents and the severity of losses increased, and all of it could be traced to carelessness.

But in 1947 there are signs pointing to an improvement. The recession in aviation business, airlines and private flying may cause operators and flyers to be more careful. The year 1946 clearly demonstrated that the airplane is not an automobile and cannot be operated as such.

Practically the same problems confront the aviation insurance business today as did in 1927. The principal one continues to be that of getting good business. Aviation is still in the development stage, and it has always been hard to get a spread. It still is. As the aviation industry expanded, the liabili-

Daily Express
CASUALTIES FOLLOW FIRE

HAS LIFE INSURANCE MORE PUBLIC APPEAL THAN FIRE OR CASUALTY?

There are happenings in every community every day spotlighting the value of our stock in trade — yet, how many people know their fire and casualty insurance needs as well as the need for life insurance. Each one of us must be a creator of public interest from which stems sound **public opinion** so necessary for the preservation of this business.

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SEABOARD FIRE & MARINE INSURANCE COMPANY OF NEW YORK
THE YORKSHIRE INDEMNITY COMPANY OF NEW YORK

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THOMAS McGEE & SONS

Kansas City, Missouri

ties it has had for the companies to assume have ballooned.

It is easy to get into the business but it demands endurance and a capacity for punishment to stay in. But these have been provided in abundance by the type of men the business has attracted—young, full of enthusiasm for aviation, and willing to fight when the chips were down. It has developed men of authority and standing—Major George L. Lloyd, David C. Beebe, Reed M. Chambers, Daniel de R. M. Scarritt, the vigorous Newhouse & Sayre organization, and others. Young men are attracted to the field.

Companies attracted by the great expectations of aviation have come into the business on a non-pool basis and are earning their spurs. Not all of them will stay in the field, but others will grow up with aviation and—with the pools and companies older in the game and with agents who are willing to spend for the future—will live to reap what should be a reasonable harvest.

THE CALUMET

Tragedy of Henry Fowler

BY C. M. CARTWRIGHT

THE insurance business has seen its tragedies at different times and on occasion they have been heart rending. Henry Fowler was one of the most brilliant men who ever traveled in the central west. He won his spurs in Ohio, where he was state agent of Home. The late John H. Washburn, vice-president of Home, once said that he would rather have Henry Fowler in the field full of whisky than any six other men entirely sober.

Mr. Fowler, as time went on, took entire charge of both the regular and farm departments of Home in Ohio and made a record which has seldom been surpassed. He was used by Home on various important missions. One time he was sent to Texas to straighten out some difficulties there, at another he was shifted to New York for important duties. About this time Lewis S. Morgan, New York, manager of the farm department for Home, was forced to retire because of poor health, and Henry Fowler succeeded him.

During his later years in the Ohio field, he began to dream of organizing a new fire company. He even chose the name — the Calumet Insurance Company — and formulated its plan of operation. When he had Stuart Morgan go to Columbus as his assistant, it was a temporary arrangement because at that time Mr. Fowler was deep in plans for organizing Calumet. Alonzo W. Haight, New York state agent for Manchester, joined the Calumet organization. Both finally went to Chicago to conclude the promotion. Mr. Fowler became president of Calumet and Mr. Haight was vice-president. Stuart Morgan then was chief field man for Calumet and made many agency appointments in Ohio, Illinois, Michigan, and a few in Wisconsin.

The tragedy came when Mr. Fowler secured subscriptions for stock and surplus but lacked about $150,000 of getting the sum he needed. He seemingly could move no further. He tried various schemes but they failed. Therefore, he had an interview with Fred S. James who promised to take over the organization and complete it. Thus Mr. Fowler had to abandon his cherished plan because Mr. James had his own notions of what should be done. C. B. Gilbert, then western manager of Lancashire, was brought in to act as chief operating man for Calumet.

In Mr. Fowler's day he was very fond of intoxicating liquors. But he married a Catholic girl who sang in the church choir at Columbus, and she induced him to go on the water wagon which he did all during the organization of Calumet until he lost control. On a trip to St. Paul, he drank very heavily and died of alcoholism there in a hotel.

After his death, a group of Chicago friends who had admired his ability and deplored his ending went to Elkhorn, Wisconsin, where he was laid to rest. It was there that he was born and raised. Mr. Gilbert, who at that time was operating Calumet, had gone to St. Paul and brought the body to Elkhorn.

Morgan's Coffee House

The first policy issued by Aetna Insurance Company, in August, 1819, was to Joseph Morgan, covering his Coffee House on State street in Hartford. It was in this Coffee House that the Aetna was formed. Joseph Morgan was the father of Junius S. Morgan, whose son was J. Pierpont Morgan, whose son was the late J. P. Morgan. All four Morgans were directors of the company.

Hummell Brothers, Paducah, Kentucky, started representing Fidelity & Deposit early in 1891 and the agency is now operated by two sons of the founder. E. S. Cowles & Son, Hartford, was appointed in May, 1893, and is now operated by E. S. Cowles, Jr. G. L. & H. J. Gross, Inc., Providence, was appointed in January, 1896, and is still in business. E. Tudor Gross, president, is the son of the founder.

Congratulations

In the days before there were any insurance journals, or fire insurance companies as they are now constituted, there was a protective society known as the "Hand and Hand".

Today we take that early American fire mark as a symbol in greeting the National Underwriter on its 50th Anniversary.

As one old timer to another—congratulations on a half century of insurance reporting and publishing. May your journey in journalism continue as successfully in the future as it has been in the past.

THE
NORTHERN
ASSURANCE COMPANY, Ltd.
135 WILLIAM STREET NEW YORK
CHICAGO SAN FRANCISCO

PIONEER FIRE INSURANCE CO.
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Edwin F. Deicke
President

"PIONEER" founded in 1918 — "SUBURBAN" founded in 1925
Our Modern Home Office Bldg., at Wheaton, Ill.
2 Good Stock Companies Worthy of the Highest Confidence
Home Office: WHEATON, ILL. Chicago Office: 100 W. MONROE

A Program of Public Relations

One of Important Needs Is for Research— Problems of Rate Legislation Are Many

BY G. W. CARTER

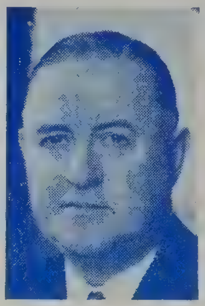
ON MANY occasions I have had the opportunity to review public relations programs for the insurance industry and find emphasis on certain points which are important and could readily be adopted. On the other hand, there are conclusions drawn that are far from practical thinking as such programs relate to our industry.

At times statements are made based on ignorance and misinformation constituting a serious menace for the continued operation of the insurance industry by private interests. How come? Our business has been conducted through the private enterprise system for over 150 years and we have over 100 insurance companies, both stock and mutual, which have been operating successfully these many years. The only threat I can see is the complete overturn of our democratic system and government ownership, operation and control. I am not willing to admit that the American people are ready for such a violent change. The insurance industry is only a part of our system and there is no reason to expect that we will be singled out and the balance of the private enterprise system remain.

However, a good point is sometimes made in referring to the overall advertising of the railroads. We overlook the fact that competition is very keen in the railroad field and certainly nobody can charge railroad managements with sacrificing their individuality and prestige. Perhaps a form of advertising of this character would be well for the stock insurance companies, but still you cannot eliminate the individuality and prestige of individual companies and their representatives. Our business is personal in character and we cannot regiment it so that all producers and all companies think alike—we would destroy the very foundation that has built the insurance business to the position it now holds, and I don't foresee serious attacks in our legislative halls with the possible exception of certain elements trying to impose monopolistic acts in the workmen's compensation field.

The record reveals that the stock companies and their producers are still writing approximately 85% of the fire insurance business and approximately 70% of the casualty business. We must admit there is some element of service and public relations that has maintained this position.

George W. Carter started with the Orient in October, 1900. In 1903 he managed the Scottish Thistle Insurance Company for Neuberger & Salomon; for a short time he was associated with Moore, Case, Lyman & Hubbard; and subsequently he was with Marsh & McLennan until 1913 when he became manager of the Detroit Insurance Agency.


G. W. Carter

During the past 34 years this agency has built an organization to serve its clients in every capacity, maintaining fire and accident prevention engineering service, loss department and a competent personnel well grooved to the needs of its business.

"We have unusually satisfactory insurance connections which have been most helpful in taking care of our requirements," according to Mr. Carter. "We have always been interested in insurance organizations, committee work and legislative problems with the objective of being better informed and better able to serve our customers. We engage in no other line of business and devote our entire energy to insurance.

IN ORDER to perpetuate and preserve our status an educational program would be of great benefit, not through regimentation but through enlightenment. Therefore, an educational program would be of value together with a research department:

First—The companies should prepare their financial statements in a manner that reflects the purpose of insurance and not specifically the strength of the companies.

Second—Research studies should be made and the results printed and distributed throughout the country.

Third—Conference and collaboration should always be at the forefront between the companies and their producers.

Fourth—Our claims departments could be improved. We send out bulletins with respect to the treatment of compensation claimants. How about injecting courteous treatment into the handling of third party claimants—not necessarily the payment of their losses when the company is not liable, but at least inject a businesslike attitude into the treatment of these people. Some adjusters have been known to sell their companies short without the knowledge of the presidents of the companies.

Fifth—Before a public opinion survey is conducted, we feel it is necessary for all companies to engage in considerable research work with respect to policy coverages and the interpretation of same. We have in mind the attitude of some companies in refusing to recognize claims under a householder's comprehensive liability policy when the act is committed by a child of seven years of age or under. We do not think it is wise to deny claims because of youth, even though the statutes may protect the companies; it is not good public relations. A thorough investigation of claim settlements and procedures is advisable. Some companies exercise the right of settlement under covenant not to sue, pointing out that the probable cause of the accident was a defect in the product, thereby impugning the integrity of the manufactured product. Such procedure should never arise unless there is proof beyond any question of doubt that a defect existed. Industry and mercantile establishments have the right to expect cooperation from the insurance industry.

Sixth—We talk about public relations. Why not inculcate relations in our own organization and sell all of our employes on the principles we stand for so they can be ambassadors of goodwill? The subject was forgotten entirely in some public relations briefs. I imagine you could go up and down insurance streets and interview thousands of insurance company employes and find many instances of employes' indifference to the organizations for whom they work. The best place to start a public relations program is at home.

Seventh—I believe the National Bureau of Casualty & Surety Underwriters could publicize its overall program on accident prevention and safety-first. However, we cannot lose sight of the fact that experienced management is entitled to toot its own horn when it is rendering a service superior to its competitors.

Eighth—I disagree entirely with the suggestion that it is wrong for a company to advertise recommendations that its local representative be called for insurance surveys and coverage. I do not care how many companies an agent represents, a few calls obtained from such ad-

Congratulations
and
Best Wishes
to
The National Underwriter
on its
Fiftieth Anniversary

***INTER-OCEAN INSURANCE CO.**
Executive Offices, Cincinnati, Ohio
PERSONAL PROTECTION SINCE 1903

J. W. SCHERR *Chairman of Board*
W. G. ALPAUGH *President*

** Name changed from Inter-Ocean Casualty Company—The Company is now authorized under its charter to write life insurance as well as accident and health. Steps are being taken to develop life department as soon as possible.*

vertising makes the agent responsive to the company's service. Buick Motor Car Company stated "When Better Cars Are Built Buick Will Build Them"; Packard stated "Ask Your Local Dealer," etc. Some public relations authors vote entirely contrary to the principles set forth above.

Ninth—Going back to legislation—the producer's presence is felt in every state and rightfully so because the home offices cannot have branches in every legislative hall. The producers have done a good job in this connection and will continue to do so.

OUR idea of public relations is not a selfish one and we think our best approach to the subject is to put all of our power behind the private enterprise system, rather than the insurance business, specifically, which is a part of it. Let's look at the record. Venture capital has to be employed to create assets. People must be gainfully employed to purchase life insurance. The orchids go to the creative side of the private enterprise system, the building of assets and employment. The insurance business cannot lead—it must wait for the great development and when that takes place insurance is required to rehabilitate and replace. Therefore, we are a secondary force but a very powerful one in American economy. Let's do all we can to maintain the system and then the insurance business will have its rightful place in the preservation of the system.

We think we can emphasize this a little more clearly by reviewing the portfolios of companies engaged in the private enterprise system. Take the insurance companies first—you will find the board of directors consist of insurance men and industrial leaders. Now look at the portfolios of industry and you do not find insurance men on the directorate, except in rare instances, not that they don't respect us and recognize our ability—but our system of operation is entirely different. Our funds are trusteed funds. We must maintain reserves to protect a great multitude of people and in case of failure of an insurance company a great number suffers; whereas, when an industrial concern fails only the concern and its stockholders suffer.

This, in a measure, states our belief that our public relations program should be keyed to the private enterprise system of helping others—thereby helping ourselves. For instance, the automobile came into existence in 1900. By 1940 the premium income to insurance companies exceeded $700 million on this class of casualty business alone. What have we ever done in a public relations program to assist this industry other than collect premiums and pay losses? Never mind whether they help us in a public relations program. Suffice it to say we owe them something and other classes of business likewise.

Whether we have a good or a bad public relations program we must recognize that the insurance industry has developed a leadership and technique in the sales, service and distribution of insurance that has stood the tests of many years. The industry has spent millions in bringing the business to its present state of efficiency—the scientific field service of the National Board, the National Bureau of Casualty & Surety Underwriters, the Underwriters Laboratories, the rating bureaus and insurance organizations as a whole. For the record reveals that the combined services of these organizations never cease but from day to day continually improve and broaden the coverage effectively, measure rating procedures, constantly work for the improvement of prompt and efficient loss adjustments and extend the facilities to meet the ever expanding economy of the country in providing the protection necessary. This service also embraces an intelligent and effective fire and accident prevention program to eliminate carelessness and indifference as respects hazards that contrib-

JONES & WHITLOCK
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1840 – 1947

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UNDERWRITERS

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CHOOSE YOUR STYLE FROM A LARGE SELECTION

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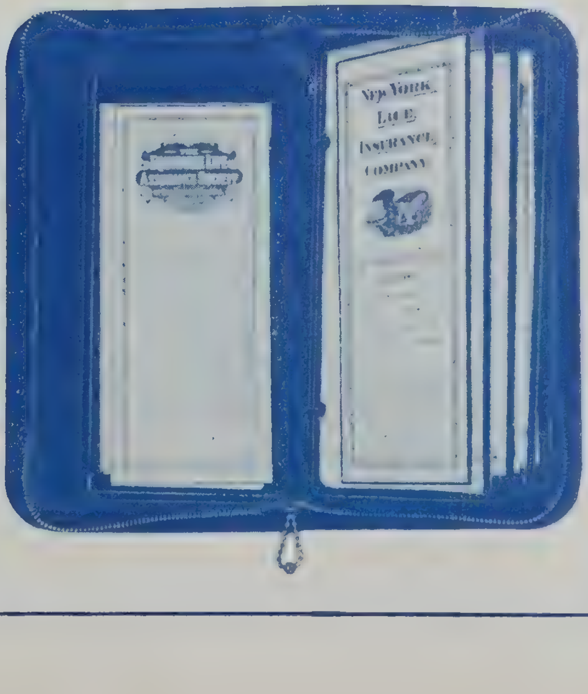

THE LARICK MANUFACTURING COMPANY
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ute to the burning ratio and the loss of life. It is economically sound and good business prudence to have men of experience and judgment devote their time to constructive studies of this business from the long term viewpoint and give us on the firing line inspiration to improve our thinking in the serving of the public and the business. We witness every day this leadership in one form or another and the public are the recipients of this studious application to the problems of the business.

I THINK this is the place to air some thoughts from a producer's viewpoint on the results of the S.E.U.A. decision. First, let me say that I think some of the legalistic minded people are trying to establish a visible police force within the state which I believe entirely unnecessary. After all, the business renders a great public and economic service reaching every doorstep in the country, and the public are our friends.

So it seems to me the time has come when some practical business judgment should be applied to this case in the hope of developing mechanics that will solve the most important factors—such as rates, coverage, stability, supervision and taxes. There is one point we must recognize in employing the tools to bring about more unanimity and place our case in the proper light. The first point to consider is the operation of our business prior to the Supreme Court decision. In 1921 the industry entered into an agreement with the insurance commissioners on a rate formula that recognized a profit factor and a conflagration charge which was nationally applied.

HOW is this to be accomplished in a practical sort of way? Well, for the moment, I don't think it is possible to find words in the English language to draft legal bills that will establish Utopia and solve all of our problems by January 1, 1948. The Supreme Court of the United States is constantly reversing itself and, therefore, it would seem proper to do the best we can. If a mistake is made, we can correct it later on.

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The Robinson-Patman, Clayton and Federal Trade Commission acts were not designed for the insurance business. Therefore, why should we constantly direct our attention in this direction when, after all, the Sherman is the most important act to worry about? Congress has very definitely challenged the states and the industry to solve our problems and retain the supervision where it existed these many years. That statement in public law 15 which says: "...shall be applicable to the business of insurance to the extent that such business is not regulated by state law" is, to my mind, a recognition of the propriety and the need for state supervision, and here we can do our most effective work.

First, we should exhaust every possible avenue open to us to maintain state supervision because this is what the public understands and wants. Regardless of the differences of opinion that exist with certain companies, we should make every effort to cooperate with Congress in arriving at a safe basis in the conduct of our business. Should we fail and federal supervision comes into existence, we then are in a position to explain to the public that at least we did our best because should such an unhappy event occur the public will gain the impression that state supervision was inadequate. This might very quickly lead to demands for a complete revision of our rate structure under this new and powerful authority.

Second, we should like to see some uniformity in rate bills with a very definite paragraph in them recognizing and approving the licensing of non-resident rating bureaus to handle the business not confined to one state. Such rating bureaus would include the National Bureau of Casualty & Surety Underwriters, the Interstate Underwriters Board, the Inland Marine Underwriters Association, the National Automobile Underwriters Association, the Underwriters Grain Association, the Oil Insurance Association, and the aircraft insurance groups. These bureaus would develop their own rating formulas, which would not be unfair discrimination on this class of business, and they would be supervised by a committee of insurance commissioners appointed for this purpose.

It is my considered opinion, in complying with the Supreme Court decision holding that insurance is interstate commerce, and public law 15 authorizing state supervision, that the insurance commissioners will find it necessary to function as interstate commissioners, as well as intrastate commissioners to take care of the flow of interstate business both in and out of our respective states.

I HONESTLY believe that if we can formulate a program on this basis we will solve at least 90% of our difficulty.

Third, we would also like to see our rating bureaus in the state and the non-resident rating bureaus owned, operated and controlled (including the mechanics and policy making) by the stock companies with an open door to sell our service to others as subscribers.

Our stock companies have spent all the money that has ever been spent in research for our rating structure and, therefore, this should not be given to others except as subscribers—and if they don't subscribe, then let them organize their own bureaus. The law never intended that we sacrifice the character or individuality of our operations.

Fourth, the insurance commissioners must recognize that Congress has told them in public law 15 that the regulation of the business goes beyond state lines. The Supreme Court says definitely we are engaged in interstate commerce, and we cannot function with an isolation program that ignores the protection and service to all of the people of this country.

Celebrants of Anniversaries

Below are listed several companies that will mark a 50th or 100th anniversary this year or in the next five years:

Life

	50th	100th
Aetna Life		1950
Afro-American Life .	1951	
American Mutual Life	1947	
Atlantic Life	1949	
Baptist Mutual Life .	1949	
Berkshire Life		1951
Canada Life		1947
Carolina Life	1952	
Colonial Life	1947	
Columbian Nat. Life .	1952	
Crown Life	1950	
Equitable Life, D. C. .	1952	
Federal Life	1949	
Guarantee Mutual Life	1951	
Home Beneficial Life .	1949	
Home Life, Delaware .	1949	
Kentucky Cent. L.&A.	1952	
Liberty National Life.	1950	
Manhattan Life		1950
Mass. Mutual Life ..		1951
Nat. Life & Accident.	1950	
Nat. Life of Iowa ..	1949	
Nat. Life of Vermont.		1948
N. Carolina Mut. Life.	1948	
Penn Mutual Life ...		1947
Phoenix Mutual Life .		1951
Reserve Loan Life ...	1947	
Texas Life	1951	
Un. Mut. Life, Maine		1948

United States Life ..	1950

Stock Fire

	50th	100th
American Alliance ...	1947	
Assurance Co. of Am.	1947	
Atlantic City Fire ...	1952	
Caledonian-American .	1947	
Christiana General ...		1947
Connecticut Fire		1950
Federal	1951	
French Union & Universal Insurance....	1949	
Glens Falls		1949
Globe & Rutgers	1949	
Hamilton Fire		1952
Hanover Fire ,.......		1952
Imperial Assurance ..	1949	
Mercantile of Amer...	1947	
Merchants & Mftrs. .		1949
Milwaukee Mechanics		1952
Minn. Fire & Marine.	1952	
National Union Fire.	1951	
Niagara Fire		1950
Northern of N. Y.....	1947	
Northwestern Fire & Marine	1949	
Ohio Farmers		1948
Pacific Fire		1951
Palatine	1950	
Scandinavia	1949	
Springfield Fire & Mar.		1949
Stuyvesant Insurance.		1950
Western Assurance ..		1951

Stock Casualty

	50th	100th
American Casualty ..	1952	
American Fidelity ...	1950	
Continental Casualty .	1947	
Indiana Insurance ...		1951
Maryland Casualty ..	1948	
New Amsterdam Casualty	1948	
Peerless Casualty	1951	
Western Surety	1950	

Agency That Is 137 Years Old

The first agent appointed by the directors of Hartford Fire December 27, 1810, was Jonathan George Washington Trumbull of Norwich, Connecticut. The agency is still serving the community, now operated, after 11 intervening changes through the years, by Mrs. Jane Graham Foster, as the Foster Insurance Agency, Main street. It also represents Hartford Accident & Indemnity. Trumbull was a grandson of Connecticut's Revolutionary War governor and was the first local agent of any company in the state.

The first recording agent was named in 1811 at Canandaigua, New York. The agency was transferred in 1813, "with the same powers to countersign policies * * *." The agent probably was paid a policy fee. There is no record of commission. First mention of compensation other than policy fees is a commission of 50 cents a policy the Hooker & Brewster agency of Middlebury, Vermont, were authorized to retain, beginning in 1816. In 1819 a percentage of premiums written was referred to in connection with the appointment of Hooker Leavitt at Greenfield, Massachusetts.

Companies' Long Dividend Record

The insurance stocks have for an extended period enjoyed a high standing among conservative investors. Especially attractive are the exceptional dividend records of many companies in this field. The following tabulation shows the dates from which some of the major companies have paid without a year's interruption.

[Data compiled by Merrill Lynch, Pierce, Fenner & Beane.]

Aetna Fire	1873
Aetna Casualty & Surety...	1908
Agricultural (fire)	1864
American of Newark (fire)..	1872
Boston (fire)	1875
Camden Fire	1873
Carolina (fire)	1889
Connecticut General Life...	1878
Continental (fire)	1853
Employers Reinsurance	1915
Federal (fire)	1902
Fidelity-Phenix (fire)	1910
Fire Association	1858
Fireman's Fund	1908
Franklin Fire	1831
Glens Falls (fire)	1866
Great American (fire)	1873
Hanover Fire	1853
Hartford Fire	1873
Hartford Steam Boiler	1871
Home of New York (fire)...	1873
Insurance Co. of N. A. (fire).	1874
National Fire	1872
National Liberty (fire)	1860
New Hampshire Fire.......	1870
North River (fire)	1839
Northwestern Natl. (fire)..	1874
Pacific Fire	1905
Phoenix of Hartford (fire)..	1874
Providence Washi'ton (fire).	1907
Republic of Texas........	1906
St. Paul F. & M...........	1872
Security of New Haven (fire)	1894
Springfield F. & M.........	1867
Travelers	1866
United States Fire........	1910
United States Guarantee....	1892
Westchester Fire	1871

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Throughout all these years we have endeavored to carry out the principles of friendly approach, accurate fact-finding and dependable service. Naturally we have earned a reputation for fair dealing among people of Chicago and by doing so have built a sound organization.

It is our good fortune to celebrate our 50th birthday. As we proceed into another more complex half century we realize the task ahead of us and are determined to fulfill our duties to our numerous friends who have so kindly cooperated and guided us in our difficult responsibility.

It is our sincere wish that we may continue to enjoy your confidence in the years to come.

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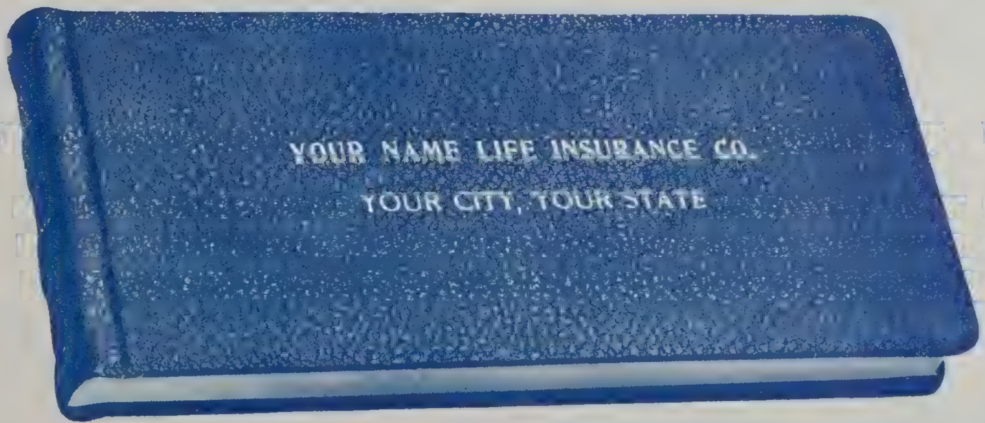

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Origin of

The Casualty Agents' Association

BY C. H. BURRAS

ON SEPTEMBER 12, 1913, William T. Emmet, insurance superintendent of New York, made a ruling on the cost of acquiring liability and compensation insurance which very materially affected the incomes of casualty and surety agents throughout the country. The ruling was couched in such phraseology as to make it mandatory on the part of all companies licensed in the state of New York to use the same expense factors including commissions wherever they transacted business.

A storm of protest arose from casualty agents country-wide. Local associations of casualty agents had been organized in several states for the betterment of conditions in these localities. Consequently when Mr. Emmet's ruling was announced, indignation meetings were held by the local groups and committees were appointed to seek a revision of the rule.

Wade Fetzer, Sr., and John A. Morrison were appointed a committee of the Chicago Casualty Underwriters Association to act on its behalf. When they arrived in New York, they found other casualty men from various parts of the country. There they met Charles H. Hood of Minneapolis, one of the veterans of the casualty insurance business. Delegates were present from Massachusetts and Ohio, the Ohio delegation being headed by William G. Wilson of Cleveland. At the invitation of Mr. Wilson the delegates gathered in the agents' room of Aetna Life at 100 William street, September 25. It was at this meeting that the idea of a national association of casualty and surety agents was first conceived.

A meeting was called of all parties interested at the Hotel Sinton, in Cincinnati, where on October 13, 1913, the association was organized with Mr. Fetzer president and Mr. Morrison secretary. Among the casualty men prominent in the organization of the association, in addition to those named, were:

Thomas F. Daly, Denver; George A. Gilbert, Chicago; William Gilmour, Boston; Fred L. Gray and Charles H. Hood, Minneapolis; George D. Webb, Chicago; W. G. Wilson, Cleveland, and Newton Turgeon, Buffalo. Mr. Fetzer is the only one of this group alive today.

FOLLOWING the organization of the association a committee was appointed to carry on the work of obtaining a revision of the "Emmet rule" with Mr. Fetzer as chairman. On November 6 the committee presented a brief to Superintendent Emmet. Among other recommendations the committee suggested that a committee representing the companies and a committee representing the insurance commissioners meet with a committee representing the association to consider a revision of the "Emmet rule," and on December 1, 1913, the meeting was held at the Hotel LaSalle in Chicago. Superintendent Emmet presided.

This was the first time in this country that the three great insurance factors — insurance commissioners, companies and general agents — met together.

As a result of the efforts of the association, its recommendation that the general agents' commission on workmen's compensation business be made 17½% was adopted. It was also agreed not to place any acquisition or expense limits on lines other than workmen's compensation and employ-

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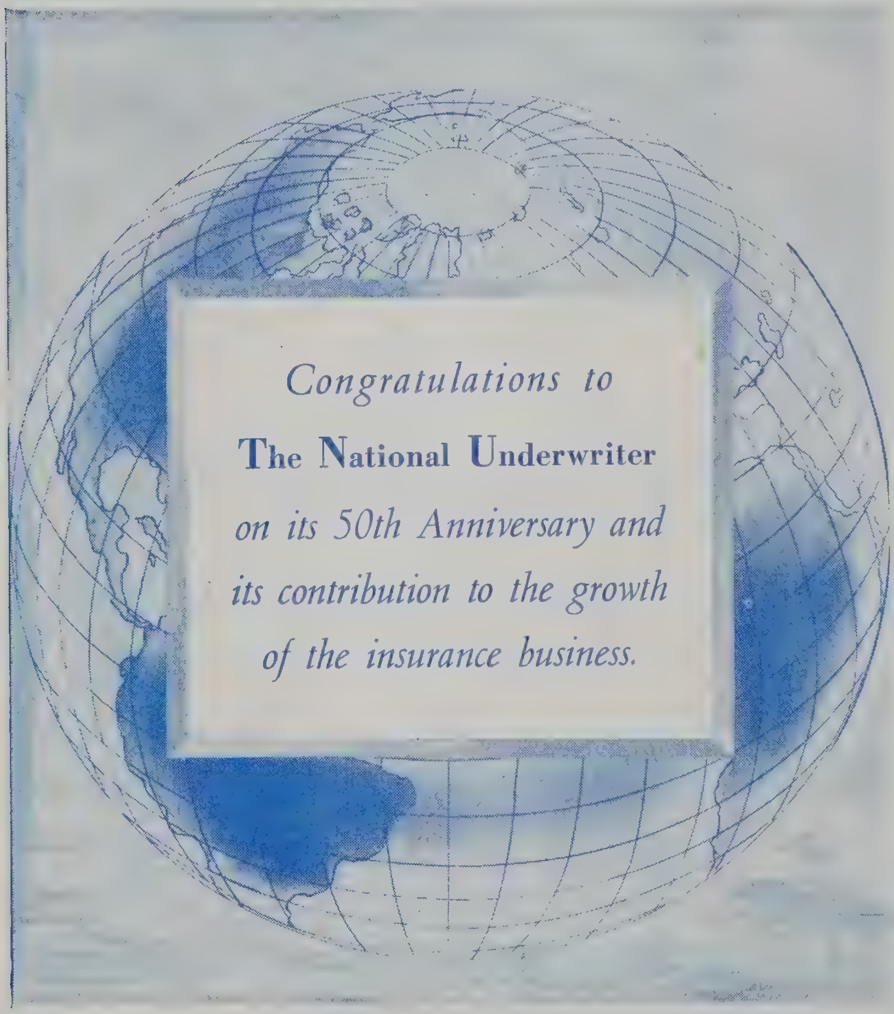
C. H. Burras

Charles H. Burras, president of Joyce & Company of Chicago, is a Buckeye product, having been born at Fairfield, Ohio, July 16, 1873. He graduated from Lake Forest University and Chicago College of Law. He served as public administrator of Cook county, Illinois. He has been president of Joyce & Company since 1915. His firm acts as general agent for National Surety. He served as president of the National Association of Casualty & Surety Agents in 1917 and then again in 1926. He has been secretary since 1931. He is celebrated as a toastmaster, post prandial speaker and general entertainer. His is a lively sense of humor. He has long been a member of the famous "Over 40 Club" of Chicago, composed of men of renown in different activities who have a special flair for writing, speaking and entertaining.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er's liability in compensation states.

Following the successful outcome of this campaign, a conference committee was appointed by the association to handle all matters of interest to the casualty and surety general agent with company executives and company associations, bureaus, etc.

THE first joint convention of the association with the International Association of Casualty & Surety Underwriters was held at White Sulphur Springs, West Virginia, in September, 1914. These joint conventions have been continued with an interruption of two years during World War I and the five years just ended of the second World War and will be resumed this year at Ocean House, Swampscott, Massachusetts, sometime in the fall. It is hoped that by 1948 the convention can again be resumed at White Sulphur Springs.

The joint convention has been of great benefit both to company executives and to agents. Their functions have been largely social, providing opportunity for the agent and the company executive to get well acquainted, play golf, pitch quoits and enjoy other amusements together. Many firm and fast friendships have been made, which have meant a lot to the agent and to the company executive in better understanding. Many problems have been smoothed out. More agents and company officials call each other by their first names than in any other business that I know. These conventions have been very worth while and everybody in the business is looking forward to their resumption.

After the S.E.U.A. Supreme Court decision holding that insurance is commerce, another crisis presented itself, not only to our association but to the industry as a whole. Having no paid personnel and being dependent upon the voluntary and unremunerated efforts of its officers and committees, at a meeting of the executive committee held in Chicago in October, 1945, it was decided that our association should take an active part in the drafting of regulatory laws to be passed in the several states to comply with public law 15, and with this purpose in mind, a committee consisting of the president, Carl P. Daniel, the vice-president, Wheaton A. Williams, together with George W. Blossom, William T. Cline of Chicago and the secretary-treasurer, was appointed to undertake the reorganization and revitalization of the association, the employment of counsel and other necessary personnel to enable the association to take an active part in the deliberations of the all industry committee. This involved greatly increasing the dues of the association to provide the necessary funds to carry on this work. At a special meeting of the executive committee held in Chicago in March, 1946, the reorganization committee reported its complete success in reorganization and the revitalization of the association and the pledge of greatly increased dues, sufficient to provide the budget necessary for the work to be done.

They reported that they had retained the services of Judge Elmer W. Sawyer as counsel and had applied to and become a member of the all industry committee in its work of drafting necessary regulatory laws to comply with public law 15. The association has been represented by its officers and Judge Sawyer at every meeting of the all industry committee since the retention of Judge Sawyer as its counsel.

A GREAT deal has been said and much written about the position which our association has taken regarding the degree of legislation needed in the several states to comply with public law 15. In a recent report to our members, which had already been approved by the executive committee of the association, Mr. Daniel stated the position of our association as follows:

1. We believe every effort should be made to preserve state regulation of insurance.

2. We believe the strict control over rates set forth in the all industry bills (a) goes far beyond public interests and protection, (b) is an unjust regimentation of independent carriers that will minimize competition in rates and coverages, (c) imposes an unjustifiable expense upon the public, (d) forces a uniform rate pattern that is inimical to the best interests of producers and buyers, and (e) is not in the public interest; and that at a time when business generally is becoming encouraged by its new freedom from government interference, the insurance business should not voluntarily ask for unnecessary governmental interference with its activities by the several states.

3. We believe no person or group outside the borders of a state should try to dictate the degree of control over rates required to protect the public interest under the conditions existing in that state. We shall continue to call attention to matters that should be considered, to advise the least degree of control over rates consistent with local

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IN BUYER'S INTEREST

Inland Marine Underwriting Has Been Inventive and Proqressive

BY A. W. BARTHELMES

THE insurance industry has made great strides during the last five decades in meeting purchaser requirements. In the latter part of the 19th century, reports have it, windstorm insurance was frequently declined on the premise that it was entirely foreign to the business of fire insurance. Today, as a routine matter, the industry issues policies on an "all risks" or multi-peril basis. One inland contract that comes to mind effectively demonstrates the breadth of some present-day covers in enumerating 51 perils against which the insured interest is protected. Windstorm is one of the perils—falling meteors is another.

The inland marine division has played no small role in the evolution of insuring customs and the broad, comprehensive covers currently available. Its pioneering methods have anticipated and have provided much-needed protection in keeping abreast of the ever-increasing demands of the insurance-buying public. We have come a long way. The methods of industry—the whole business and social life of our nation—have undergone a complete change. This transition has created new and complex problems for the insurance business.

Inland marine has emerged from the chrysalis of its beginning as a side-line until now it has attained the full-grown development of a major line of insurance. In 1920 the total writings of all companies countrywide amounted to $22 million. In 1946 the aggregate volume is in the neighborhood of $140 million, and the expansion continues.

Inland marine insurance as we know it today is a relatively new development. While it bows in reverence to its ancient ocean marine background, it goes on to cope with its own peculiar insuring problems of the present and future.

In the days of sailing vessels and later, it was customary to insure cargo only while on the vessel. As time went on, the ocean cargo policy was extended to cover while on docks and then by connecting land conveyances to interior United States destinations. Now, the so-called warehouse to warehouse clause is universally in use. Occasionally an underwriter on this side was asked to insure import cargo only after discharge from ocean vessel at United States port, while on piers, and thence in transit to interior desinations. Hence, we had a marine policy covering entirely inland in the United States.

Marine policies were later issued to cover merchants and manufacturers whose operations and shipments were entirely within the confines of this country. Transportation floaters covering domestic shipments thus came into being. When the Post Office Department started transporting valuable securities and currency by registered mail between points in the United States, marine policies were issued to protect such movements. With the inauguration of the parcel post service by the Post Office Department under the act of 1912, marine underwriters undertook to insure parcel post packages.

A. Wesley Barthelmes, North America Companies, Philadelphia, started in the ocean and inland marine agency business in Boston. In 1926 he became manager of the home office inland marine department of the America Fore group in New York; he was marine secretary of National Union Fire from 1936 to 1940, and then joined North British & Mercantile as secretary in charge of the inland marine department. He is a speaker and writer on marine subjects. He is a member of the executive committee of the Inland Marine Underwriters Association. He has participated in Insurance Society of New York educational courses and brokers' educational activities.

A. W. Barthelmes

THE insuring of automobiles was handled almost entirely by the marine offices until 30 years ago when the business expanded to a point where a special division of our business for automobile insurance was necessary. The insuring of airplane hulls stems from original marine treatment.

Tourists and travelers sought cover of personal effects and baggage while traveling and the tourist or personal effects floater was conceived. The salesmen's sample floater, personal jewelry floater and fine arts policy were also early inland covers.

The business was written by a few offices doing principally an ocean marine business until after World War I. Following the short-lived boom at that time there was a dearth of marine premium income. The earlier substantial premiums derived from war risk writings had disappeared and the marine underwriter seeking new avenues of revenue paid more attention to the development of inland transits and floaters.

Countless opportunities arose for contracts insuring property being moved from one place to another within this country and Canada. Not only were goods insured while actually in transit but temporary cover was granted while at locations en route, such as terminals, depots, carriers' sheds and places of packing and unpacking incidental to transit.

The motor truck was making its impress upon transportation methods in this country and becoming a sharp competitor of the railroads for freight movements. Motor cargo insurance made pronounced advances.

Fur garments once considered a luxury became a necessity, and society and shop girls alike became proud possessors of these valuable, useful and insurable articles. Travel to warmer southern climes in the winter and to Europe in the summer took tremendous strides and insurance of baggage became increasingly important.

TRANSPORTATION floaters, trip transit policies, fine arts policies, personal jewelry and fur floaters, parcel post, salesmen's sample, tourist baggage floaters and many others created a trend resulting in the establishment of a new division of our business—inland marine. Not only was this business conducted by the marine offices, but the fire companies whose charters included the privilege of writing marine business cast covetous glances at the new field for business development and set up inland marine departments of their own for the special and sole handling of risks coming within the classification.

That the "57 varieties" of all risks or multiple-peril, all situations, all-in-one or single package

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The Casualty Agents' Association

conditions, and to render such help as we can to our members (without lobbying), in putting into effect their own conclusions.

4. Our position is not intended as critical of, or a reflection upon any insurance carrier or group of carriers, or upon any insurance commissioner who favors strict regulation of rates. We recognize that others espouse a different philosophy, are as sincere in their beliefs as are our members, and have the same right as we to work for what they believe best.

The reorganization of the association has made it again a dominant force in the casualty and surety general agent field.

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policies currently available to insurance buyers have been a good thing for the insurance business generally few well-informed persons will deny. A worthy and pressing task needed doing with no other on the horizon to undertake it. Many of the standard inland marine policies commonly issued today first came to light in the nature of a difficult and unusual insuring problem properly solved through the medium of a "tailor-made" insurance instrument. Air cargo, armored car and messenger, bailees' customers', bridge and tunnel, cold storage locker, contractors equipment, deferred payment merchandise, furriers' customers', garment contractors, installation, morticians, outboard motor, personal property, processing and radium represent only a partial enumeration.

The inland business has had and is still having its growing pains. The marine definition has been a constructive factor, as has been the Inland Marine Underwriters Association. The former defines the classes of insurance falling within the inland marine category. The latter embraces the form and rate phase.

THE Inland Marine Underwriters Association is in its 16th year of operation and has in its sound judgment during that period furthered effectively the interests of the insuring public, company members and producers alike. The Inland Marine Insurance Bureau, which serves as an inland rating organization in those states where rating laws have been enacted, is becoming increasingly active in the conduct of inland affairs.

The inland division prospers because it strives within its province to give the public what is needed in the way of insurance protection. If a man desires to insure his valuable possessions he does not want piece-meal coverage; he does not want to be told after a loss that the policy or policies he took out do not cover the particular cause of loss or situation involved; he seeks and he gets a single all risks or multiple-peril policy. The peril that causes the loss is many times not thought of in advance. All risks policies are all embracing. They do the job better than any other.

What developments the future holds in store for the inland business is beyond the ken of anyone at the present time to predict. However, with the trend toward multiple-line underwriting the division's experience and equipment should prove not to be a handicap. Coupled wth a zeal for service to the buyer inland interests should continue steadily to advance.

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CASUALTY
SURETY

Jurisdictional Bodies and Effect on Fire Business

BY C. M. CARTWRIGHT

THE central west is peculiar in one respect, its jurisdictional organizations. It has two bodies located at Chicago which supervise the fire insurance activities of that section, the Western Underwriters Association, of which C. W. Ohlsen, western manager of Sun, is president; and the Western Insurance Bureau, of which H. A. Clark, western manager of Firemen's, is head.

The Western Underwriters Association was originally organized as the Union. It was familiarly known as the Western Union in order to make its location distinctive. It has been the one continuous fire insurance organization in the central west and has been really the originator and founder of practices in that region. It has been a ballast during all of its career.

In the central west the western managers were all pioneer men with distinctive personalities. Many of them were rugged individualists.

The Eastern Underwriters Association has charge of the entire east. The Southeastern Underwriters Association of the south and the Pacific Board of the far west.

The heavy losses of 1866, including the July 4 loss at Portland, Maine, induced the organization of the National Board. Then followed many local boards that were put into service by local agents. This situation resulted in the breakdown of standard rates that had been established. The big Chicago fire of 1871 and the failure of a number of companies because of it caused the rehabilitation of the National Board. The National Board attempted to look after insurance activities all over the country from its station in New York City. There was an effort made to get together a number of the western managers in order to bring about more comprehensive cooperation.

There was organized in Detroit, May 28, 1872, the Western Association of Western Managers.

F. C. Bennett was elected president and he was the only one that served this organization. This brought about, however, cooperation as to rates, which produced profits. But then new companies were organized, which produced severe competition.

THE National Board committee of cooperation was suspended in 1877. Rate cutting in all sections immediately revived. Excess commissions were paid and other bad practices grew up until the situation became unsettled. An effort was made to reorganize the Western Association but it failed.

A meeting was called at Cincinnati May 29, 1879 to see whether some cooperative plan could not be reached. Only six managers and officials were present. An adjournment was taken to meet in the Grand Pacific hotel at Chicago June 10, 1879. Then followed a regular meeting September 22. This was the meeting that resulted in the formal organization of the Union.

Farm property was one of the troublesome problems of the Union in its early stages. At one time it threatened the dissolution of the body. A final agreement, however, was reached at the Saratoga meeting September 7, 1883. Then it was agreed that not over 15% commission could be paid for farm business.

Separation was prominently before the organization. In February, 1887, it was resolved that the Union companies could not remain in agencies where outside companies paid more than 15% flat. A pledge was secured from the agents that they would not represent companies that paid over 15%. However, it was discovered that some Union companies paid more than 15% for preferred business.

IN September, 1889, under the leadership of such men as George W. Law, Royal; Eugene Cary, Great American; H. M. McGill, Phoenix of Hartford; J. W. G. Cofran, Hartford; Fred S. James, National; J. H. Lenehan, Phenix of Brooklyn, and others, the famous separation agreement was entered into, and it was found that it would add about 2% to expenses. Mr. Cary was the author of this agreement and it was regarded as statesmanlike. It provided that local agents should choose what they would do. If they decided to represent Union companies and yet have others in their agency, they would only be paid 15% flat for all classes. If, however, they agreed to maintain clear agencies, their commissions were put at 15%, 20% and 25%. Therefore, the decision was placed squarely and fairly up to the local agents. This caused a great commotion in the territory, and the field men began a regular canvass of agents to see how they stood. A number of non-Union companies were thrown out and yet they endeavored to hold the fort. The result was, however, that Union companies held most of their preferred business.

In 1893 it was voted to relieve five excepted cities from the commission agreement. These were Chicago, Cincinnati, Cleveland, Milwaukee, and St. Louis. However, they resumed jurisdiction over the excepted cities in 1900. Excepted cities, however, still continue as a difficult problem.

The Union was the first jurisdictional organization to prove a success. It first included 19 states. Kentucky and Tennessee were added to the central west jurisdiction. In addition to the efforts already mentioned, there was a call to have informal meetings in Louisville, 1853; Cincinnati, 1854; Freeport, 1866, and Detroit, 1872.

The Southeastern Underwriters Association was organized in 1882; Northeastern Fire Insurance Exchange in 1883; Underwriters Middle Department, 1883; Underwriters Association of New York, 1884; Underwriters Commission Association of the East, 1889. Now the Eastern Underwriters Association has sole jurisdiction over all eastern territory.

IN 1912 the joint conference agreement was entered into with the Western Insurance Bureau. Under this pact, mixed agencies were formed where the Bureau companies agreed to pay only the commissions of the Union companies. This worked successfully for some years. Frequent meetings of the joint committee were held to discuss and attempt to adjust differences. Charles E. Sheldon, who was manager of the American and prior to that secretary of the Rockford, is responsible for the conference agreement. He interviewed many Union members and sought their approval of the plan. The Union appointed a committee of five and the Bureau did likewise. The full committee was later increased from 10 to 18, nine from each body. There arose many serious issues between members of the two organizations. The Union people claimed that some Bureau companies were paying higher commissions in mixed agencies and the Bureau brought charges against Union members on various subjects. Finally at the Union meeting at Montreal in 1923, the conference agreement was abolished.

This led to much confusion, and field men got busy trying to clear agencies.

Later on some of the officials of non-Union companies felt that there should be a decrease in expenses, especially in commissions and other features. A meeting was called in New York City and it was decided that many of the Bureau companies should join the Union. It seemed appropriate to change the name of the Union, which was done in 1929, to the Western Underwriters Association. The prejudice against the old Union was still severe. A large number of the Bureau companies joined the Western Underwriters Association and this led to a further survey of the field to see that only Union companies were represented in so called clear agencies.

THE Western Insurance Bureau was organized in 1910. A number of officials saw the need for cooperation on expenses and practices. The Bureau sought as members medium sized as well as the larger non-Union institutions. In fact, it played quite a role in its approach to the smaller institutions. In this new organization for cooperation, a number of companies had to abandon some of their pet practices. These companies had long been independent and hence it was very difficult to get them in an organization working together. The first meeting to organize the Bureau was held at the Grand Pacific hotel at Chicago in 1910. This was the hotel where the old Union started.

THE Bureau decided to move cautiously and surely, and therefore assumed jurisdiction first over only one state—Illinois. Indiana was the second state, and then others were added until finally all the western states were entered. The Bureau soon became a very cohesive force.

When the Conference agreement was made between the Western Insurance Bureau and Western Union, it was hoped this would bring about a feeling of friendship and cooperation that would solve destructive competitive differences. However, the conference was later abolished by the Western Union.

Subsequently, some of the non-Union officials in the east studied the situation and declared that there was need for an immediate reduction in expenses. A meeting was called in New York which resulted in some of the larger Bureau companies entering the Western Union whose name was changed to the Western Underwriters Association.

The Bureau took over the Western Sprinkled Risk Association, organized in 1904. It was reorganized in 1930, and there were a number of companies added that were not members of the Bureau. The Underwriters Adjusting Company was formed in 1918 under the auspices of the Bureau.

The following have been presidents of the Bureau. E. G. Halle, Germania; Neal Bassett, Firemen's, C. E. Sheldon, American; A. D. Baker, Millers National; W. D. Williams, Security; C. H. Coates, National Liberty; Charles H. Yunker, Concordia; Waite Bliven, Firemen's; H. A. Clark, Firemen's; and Ralph Rawlings, Old Colony and Boston.

Mr. Clark was elected president and served in 1926-28, was reelected in 1935 and has been head of the organization ever since.

Old Augusta, Ga., Agency

The Chesser & Allen agency of Augusta, Ga., is one of the old ones in the country. It was established in 1874. New York Underwriters entered the agency that year. It is still in the hands of the third generation of Allens.

Merchants' of Hartford, organized in 1857, was wrecked by the Chicago fire of 1871. Mark Howard was its president, and when National Fire was organized with the remains of Merchants', he was elected president of National.

THE FORMATIVE YEARS

(Continued from page 48)

making money. The business department had been moved to Chicago in 1906 because of the large business in advertising caused by the San Francisco earthquake and fire. Agents were worried about the stability of their companies. Many companies wanted to keep agents informed as to their financial picture. For about the only time in memory insurance companies were asking for advertising space in the insurance journals. With this merging of business and editorial activities in Chicago the paper quickly became a financial success and E. Jay felt it did not need his active services. So he started "Midland," a literary magazine.

E. Jay's organizing talent was never better indicated than by the great array of men and women he was able to attract, part-time and full-time, to the development of his publication devoted to literature, music and art. The famed Thomas Wood Stevens, art critic, was a member of the staff. The equally famed Dr. Charles Frederick Goss of Cincinnati, great minister, amazing public speaker, author of at least two best-seller novels — "The Redemption of David Corson" and "The Loom of Life"—joined the paper as chief editor. Dr. Frank Colledge, later one of the founders of the great LaSalle Extension University of Chicago, was on the staff, and many other well-known experts in the field of literature and art.

"Midland," however, was not a financial success. It lasted for about two years, but never took in enough to pay expenses. It may have had one result, though, that helped to make E. Jay Wohlgemuth a greater figure in the insurance journal world.

E. Jay decided that the company he had founded should become of an importance in its field equal to that of other Cincinnaiti concerns, some famed internationally, whose managers became his business and social friends. He set out with increased vigor to accomplish this larger ambition. He moved the business headquarters to Cincinnati from Chicago, and reached out to buy and merge other papers and publications. Before he died in 1938 he had accomplished wonders. He was the greatest delegator of authority and responsibility I have known. He always expected of you more than any average person could possibly deliver. Thus he kept constantly before his associates a high goal which his expectations compelled us always to try to attain.

CHARLES M. CARTWRIGHT

Soon after my employment I came under the kindly influence of Charles Merritt Cartwright, and to this day, nearly 48 years later, he still shows every inclination on every occasion to make my interests always paramount—for he's that kind of a man.

Cartwright, modest and greatly on the handsome side, was a man of large physique with a diligence fully equal to his commanding size. In later years I saw what at first I was not aware of in his great capacity for keeping busy. He never missed a moment. He turned out an enormous amount of material for the paper. He made myriad calls on countless men and offices. He was never away because of sickness. He was always on the job—ever doing his best.

He soon had me meet his folks. They were prominent in Waynesville, Ohio, where Cartwright was born and where he lived until he went to Princeton, from which he graduated magna cum laude in 1894. I knew his father and mother and his brother John. They were wonderful people. John was an officer in the Waynesville National Bank. They all were filled with the milk of human kindness, though Cartwright never made any noticeable effort to let anyone become aware that this was out of the ordinary, and I am sure he did not think so himself.

Cartwright at the office never sent me on a personal errand without adding a nickel or a dime to the necessary car fare or purchase price of something I was to get for him. He was by nature considerate. It was always my impression that he was a Quaker, though I never investigated the church he attended. He would walk a mile to avoid a disagreeable situation, and ten miles to favor somebody.

Mr. Cartwright left Cincinnati at the end of 1899, and my direct association with him was principally by correspondence until in 1906 when I was moved to the Chicago office with the business department of the paper. In the meantime he had married. The little group at the Cincinnati office got together and purchased a modest wedding gift with a thrill that I still remember.

In Chicago in September, 1906, I found Mr. Cartwright following his usual custom of making every minute count with work accomplished, without ever seeming to hurry. No one could be idle and feel happy when he was around, yet he never dominated anyone except by example.

Many years later, after I owned my own paper and lived, near my office, at the same hotel, I ran across Mr. Cartwright, with his then young son, Levering, who now is the very capable managing editor of THE NATIONAL UNDERWRITER, walking around the old neighborhood pointing out to Levering memorable places. It is always difficult to believe that anyone can equal in ability one's heroes, and at first I was sure this would be the case with Cartwright, but I am happy to say that, based on several years of close observation, it is my firm belief that Levering Cartwright will continue to do such a notable job that everyone in insurance will, as I do now, know that his Dad's very great record and

Congratulations

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Underwriters of all forms of insurance

Fisher Building
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G. W. CARTER
President

H. L. NEWNAN
Vice-President

L. J. LEPPER
Secretary-Treasurer

ability are being perpetuated in him.

WILLIAM S. CRAWFORD

William Sterling Crawford has always been the most honest and honorable man I ever have known. After he had hired me as office boy in August, 1899, and put the duster in my hand and pointed out to me the files of insurance journals which were sadly in need of cleaning, he attempted in every way possible to further my experience, education and interests, as he continues to do to this day. For many years Mr. Crawford has conducted the insurance page for The Journal of Commerce of New York and has done such a fine job that most of us have forgotten the genius of his predecessor, Sumner Ballard, who was almost a legendary figure.

In 1898 Mr. Crawford had sought a job as reporter on every Cincinnati newspaper without success. He had earned as much as $120 per month at Boise, Idaho, six years earlier working on a daily paper. This salary marked him as an expert. He knew a man named Sam Leake, who was editor of a brewers' paper, and went to him to see if Leake knew of any local editorial openings. Leake said a young fellow named Wohlgemuth had started a little insurance paper down on Vine street, and he gave Crawford a card to him. Wohlgemuth hired Crawford to compile statistics in the Michigan Insurance Directory on which George H. Robinson was then doing the road work.

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When Mr. Cartwright moved the editorial department of the paper to Chicago—on January 1, 1900—Mr. Crawford moved with his little family to Cuyahoga Falls, Ohio, where he entered partnership with his father who carried on a thriving horticultural business, specializing in strawberry plants. However, after A. B. Fullerton left the paper in 1902, Mr. Crawford came back to Cincinnati, leaving his growing family at Cuyahoga Falls, to help compile the Ohio Insurance Directory, a task at which he was adept and expert. He also did this work in 1903. He devised many of the ways by which insurance directories are kept accurate and up-to-date. He was a tireless worker. He and I worked every day and most every evening — and every Sunday for a half day. No elevator service was available on Sundays, so we walked up the stairs to the 5th floor office. After we had put in a good effort, we would repair to my home for Sunday dinner. Those are memorable days to all of us. Just recently Mr. Crawford took my mother, who is now 87 and employed regularly in my office, to luncheon in New York City, where she was visiting, and talked over old times. We will never forget the many pleasant hours spent with him. Mr. Crawford's memory is terrific, and his interest in everything is unsurpassed. There is one description of him that I always use with others in speaking of him and that is "He is one man I know who is honest when only God is looking."

After working in the evenings he and I would cross over Fountain Square in Cincinnati to a Greek candy store where we each imbibed what the owner called a "Rasselberry Sunday."

When Mr. Cartwright took on the editing of the insurance column of the Chicago Tribune in January, 1904, Mr. Crawford again became a regular member of the paper's editorial staff, at Chicago, remaining with the paper for more than ten years as its associate editor. He developed many of the new departments, notably the casualty and surety services. He then became associate editor of "The Insurance Field" and "The Insurance Post" of Chicago — jointly — and in 1919 joined the Journal of Commerce in New York in his present position.

When E. Jay Wohlgemuth took active charge, once again, in 1910, after a lapse of nearly ten years, of the business department of the paper, he found it in a rather robust financial position and with a substantial annual profit. The paper had two field men regularly on the road traveling in the paper's interests exclusively. From time to time occasional field men would, for brief periods, do special work so that they might get experience in traveling and perhaps become special agents for insurance companies because of such experience and contacts, but there were two field men who made their career with the paper permanently. They were J. H. Higgins and H. Erle Wright. Higgins traveled the Pittsburgh to Chicago field; Wright the Chicago to Minneapolis territory.

J. H. HIGGINS

Higgins worked in the local agency of B. C. Coleman at Dayton, Ohio. Coleman also headed a small mutual fire insurance company there. One day Higgins came into our Cincinnati office, which by this time had moved to the Johnston building, facing Fountain Square (the former Aetna building had been sold to the Lackmann Brewery interests who turned it into the Hotel Lackmann) and asked, "Does every agent in Ohio take this here paper," and when I told him they did not, he suggested that he could get them all to subscribe. Consulting with E. Jay Wohlgemuth on this important move of adding $50 per month to our payroll, it was decided to start Higgins out on the road. He did moderately well. Soon he met A. C. Speed, state agent in Ohio for American Central of St. Louis, who saw in Higgins a steady person who might make him a good assistant. Speed was the author of a short-rate premium table and was accustomed to accuracy. Higgins was anything but systematic or methodical, never regularly made daily reports or sent in expense accounts, except in bulk. He must have been a sore trial to Speed, who had signed him up for one year at a better salary than we were paying him. When the year was up Higgins came back to us at his old salary. For many years he went about the country making friends for the paper, but doing just enough business to warrant a slight increase in salary every few years. But he did make friends, and when the companies grew these old friends became advertisers.

Higgins never traveled on a schedule. He would start out on the road on Monday and make as many towns as he could and as many calls in each as he felt necessary. In those days electric railroads reached everywhere and one could get a trolley to most important places every half hour. Higgins loved to visit with people, brief visits that kept his welcome fresh—and it paid off in later years. He retired on his savings several years ago. For a while he owned a small assessment company at Indianapolis, but later returned to Dayton where he owned a home. He and Mrs. Higgins had befriended an older man who had no home. When that man died he left them his accumulated property of considerable amount, it was said, but Higgins did not need it; he had been saving over the years, even in the beginning when his earnings were small.

H. ERLE WRIGHT

Wright was introduced to E. Jay Wohlgemuth by the famed John L. (Jack) Shuff, great Union Central Life producer at Cincinnati, when "Midland" was being published. To get circulation that paper was giving a set of kitchen knives with each new subscription. William Howard Taft was President. He was visiting his home in Cincinnati one day when Wright was in that neighborhood soliciting subscriptions door to door. He called on the President on his back porch, sold him a subscription and gave him the premium set of knives. This was the salesman who Shuff said could not sell life insurance—but it turned out later that Shuff was mistaken — for Wright could sell anything — anytime — anywhere.

When "Midland" was discontinued its sales force consisted solely of H. Erle Wright. E. Jay sent him to Chicago—this was about 1909—with instructions that he be put on the road for "The Western Underwriter."

By that time, having two men regularly on the road, Higgins and Wright, we had devised a daily report blank on which they should report sales and expenses. It was a new system we had developed. We tried these blanks on Higgins for many years, but he never would use them regularly—once or twice a month he would send in a bunch all filled out at one time—and not highly accurate for record purposes.

This daily report plan rejuvenated Wright. He had something to report on every day. There were lines on the blank on which orders secured could be listed. He started to fill up these lines. He had a goal ever before him. His selling ability, about which there was never any doubt, began to flower. To the day of his death—now many years ago — Wright was one of the leading and dependable producers for the paper.

Soon after I got my job as office boy in August, 1899, I met Harry Diggins. It was in his office, I had heard, that E. Jay Wohlgemuth had rented desk space when he started "The Ohio Underwriter." Diggins came to our office every so often and examined the books. It was he who had devised the bookkeeping system the paper then used. He had learned of this self-checking system of accounting being used by some large concern at Dayton, Ohio, and had adapted it to the insurance journal business.

In addition to being cashier for the famed Nelson J. Edwards general agency at Cincinnati for Preferred Accident, Harry Diggins wrote considerable accident insurance himself. I bought my first accident policy from him, for which I paid $12.50 per year. When Nelson J. Edwards travelled abroad, which he did frequently, Diggins ran his office. It never seemed to me that he was well paid, though he did a lot of work and was absolutely dependable. He was counted a staunch friend by E. Jay Wohlgemuth and when the stock of "The Western Underwriter" was made available to others, Harry Diggins was remembered for a modest portion.

Soon after we moved into the then new Insurance Exchange Building where the paper still has its office—in larger quarters—Howard J. Burridge, now president of the company, joined the staff. The story of the paper from that date parallels his entire business career, which has been deservedly a very successful one.

Newspaper Man and Big Dealer

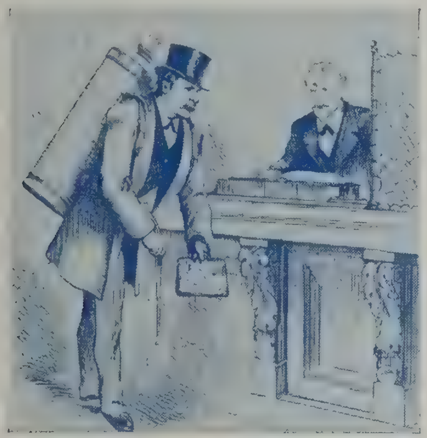
In the 1890s and early 1900s, many companies were taken over by reinsurance. These were companies that had been organized for some time but that had not become very strong.

Sumner Ballard was insurance editor of The Journal of Commerce of New York, which was the great authority on insurance news. Mr. Ballard, ambitious to amass a fortune, saw opportunities in reinsurance. He would arrange for the reinsurance of a company and usually charge a commission on its premiums in force. He became known as the chief reinsurance intermediary of this kind. Any company that desired to have its business taken over would seek Mr. Ballard to do the work. A company that desired to purchase another company also sought him.

Young E. Allison, editor of The Insurance Herald, and later of The Insurance Field, Louisville, began a serious editorial attack against Mr. Ballard, taking the position that it was entirely unfitting for Mr. Ballard to be engaged in this reinsurance sideline. He charged Mr. Ballard with going at his work secretly and in one article questioned whether the publisher of The Journal of Commerce knew what he was doing. He charged Mr. Ballard with being able to use his paper and his position in forcing reinsurance. After that, when Mr. Ballard recorded reinsurance in The Journal of Commerce, he always made the point that "Sumner Ballard acted as intermediary". Mr. Allison kept up his attack, and Mr. Ballard continued to engage in these reinsurance deals.

Mr. Ballard's was a secretive nature. Because of his reinsurance transactions, which he had to conduct more or less in secret, he rather exalted his importance. He began to assure himself that he was the best known man in the fire insurance business and that company officials regarded him as counsellor.

At that time C. I. Hitchcock, insurance editor of The Chicago Inter-Ocean, later of The Chicago Record Herald, and Mr. Ballard had a news exchange arrangement whereby Mr. Hitchcock acted as correspondent in Chicago and Mr. Ballard in New York. They exchanged news telegrams every night. Mr. Ballard, however, felt that he did not want anybody to get a copy of his telegrams so he always signed himself "Sumner" and he had Mr. Hitchcock sign himself "Champion".



Caricature criticizing lack of fire prevention device in hotels of the past. Guest: "I am not a peddler, this is my personal fire extinguisher. I wouldn't stay in any hotel without it." Woodcut, 1872.—Bettman Archive.

F.P.A. Starts Career in Insurance in Chicago

Franklin P. Adams, famous in radio's "Information Please," started in the insurance business in Chicago with the agency of Adolph Loeb & Son. He went to New York and became a newspaperman, eventually the columnist of "The Conning Tower." While Mr. Adams was with the Loeb Agency, Allan Wolff, who heads the Associated Agencies of Chicago, and is a former president of the National Association of Insurance Agents, was a lad learning the insurance business in the agency of Witkowsky & Affeld in Chicago. These two young men saw much of one another. Finally Mr. Adams left the local fire business and joined Equitable Life. He wrote a policy for Mr. Wolff.—C. M. C.

Hill's Reports Mark 50th Year

THE NATIONAL UNDERWRITER is not alone in celebrating its 50th anniversary this year. Hill's Reports of Chicago was established a half a century ago. This is a reporting and inspection company. John Hill, Jr., was the founder. It centralized its efforts in the early days on getting information on gambling, bucket shops and other illegal operations, and then it went into the serious business of making an investigation along other lines and finally entered the insurance field. In its early days, its investigations were concerned with large surety bonds. Then it enlarged its scope and made investigations for life insurance companies as well as surety companies. It is now featuring insurance inspection work of all kinds. It simply adapted its inspection work to individuals along the same line as it had to large enterprises.

Albert Bunnell Craig in 1946 marked his 40th wedding anniversary, his 50th year in insurance and the 70th year since the founding of the insurance agency which he owns. The Blairstown (New Jersey) Agency was established in 1876 by Mr. Craig's grandfather, the late John Bunnell. His grandson worked for him as secretary.

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Problems and Future of

Group Accident and Health

In next decade its volume may exceed that of group life. Improving coverage is chief job

BY ALBERT PIKE, JR.

GROUP accident and health insurance, providing not only weekly income disability benefits but hospitalization, medical and surgical insurance coverage as well, has become the full-fledged partner of group life insurance. After a rather slow start some years ago, its annual premium volume is now well over $200 million, or more than two-thirds that of group life insurance. The market for some of the newer types of coverage, such as medical and surgical expense insurance, has scarcely been touched. While sales emphasis will probably always remain on the group life insurance lines, there is a distinct possibility that the relative positions of group life and group accident and health insurance as producers of premium income will be reversed in another decade.

Insurance executives concerned with the group accident and health coverages must handle a great deal more than their average share of the top-level problems facing the insurance business today. They must, of course, meet all the day-to-day issues which naturally arise as the business grows and extends itself into new fields, plus all the new issues which have arisen for the whole insurance business out of its having been declared to be commerce. On top of these problems is perhaps an even more far-reaching one, which is that of the proper relationship between private insurance and a developing social security program. Unemployment compensation has been extended in two states to provide "cash sickness" benefits, and proposals for state operated medical and hospital care programs financed by payroll taxation are seriously made by responsible persons. The answer to these social security questions has great significance for all lines of insurance.

THE accident and health insurance side of group insurance started about the same time as the life insurance side, or around 1912. Originally, and until as recently as 1932, it consisted only of short-term weekly indemnity insurance.

Around 1932, about the same time as the Blue Cross hospital service plans were getting started, several group-writing companies began experimenting with group hospital expense insurance to help take care of the additional expenses to which a hospitalized worker is subject. To meet the argument that a sick employe needs more income, not less, than a working employe, benefits were provided for the cost of hospital room and board, together with special allowances for charges in connection with the use of the operating room and other special items. In 1938, group surgical expense insurance was started to help fill the need of extra money to pay the doctor as well as the hospital, and since then one new development has followed on the heels of another. Coverage has been extended to members of the families of employes. Medical expense coverage, for other than surgery, has just started, and even nursing care benefits have been insured. So far, however, no provision has been made for dentistry, and it seems unlikely that such provision will be made on any scale in the near future.

Since the appearance of hospitalization coverage, the volume of group accident and health insurance premium income has boomed. While group life insurance premium income tripled during the decade 1936-45 to an annual volume for the United States of over $300 million, group accident and health insurance premium income increased tenfold to well over $200 million annually. Group weekly indemnity coverage alone had quadrupled. The future augurs even better. Competition with the Blue Cross hospital service plans has been severe, the Blue Cross plans having built up an insured population of over 25 million persons while the group-writing companies were insuring only some nine million persons for group hospitalization coverage, but the current wave of readjustment of Blue Cross subscription may go far toward establishing a more even balance. More important, perhaps, are the new fields of surgical and medical expense insurance, where the development work has hardly begun and where the non-profit plan running mates of the Blue Cross are very far behind.

THE great bulk of all group insurance, both life and accident and health, is provided under policies issued to employers covering their employes.

In the case of group life insurance there is an almost compelling reason that this be so. Since group life insurance is usually term insurance, without provision for accumulating reserves against increased mortality after middle age, a subsidy is needed for the older members of the insured group in order that the subscription rate to all members will be attractive and in line with the cost of term insurance purchasable under individual policies by the youngest members of the group. An employer, almost alone, is a natural provider of this needed subsidy. More and more employers have found that the relatively small outlay required on their part for group life insurance returns itself many fold in better employer-employe relations. Conversely, the employe-benefit-program character of most group insurance coverage, both life and accident and health, has left a strong mark on its development, and has led directly to such traditions as restriction-free benefits, very liberal claim practices resulting in almost no disputes, and a premium rate and dividend structure which has no direct parallel in other forms of insurance.

THE group insurance idea involves, of course, the principle of mass marketing with resulting savings in overhead costs which are passed on to the policyholder. Since employer participation is not absolutely essential to underwriting group accident and health insurance, a number of group policies have been issued to associations of employes without the employer having any connection with the plan or even with its administration. Other group accident and health insurance policies have been issued which insure members of medical and dental societies and other associations of persons of like calling. These group plans, and the "blanket" and "franchise" accident and health insurance, parallels to "fleet insurance" such as once appeared in the automobile insurance field, may perhaps be regarded as side issues for group insurance. Their principal significance lies in their use as a means of placing, by a single sale, a large

★ ★ **FIRE** ★ ★

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NEW YORK

REINSURANCE

Albert Pike, Jr., is a North Carolinian, educated in North Carolina and Washington, D. C., and a graduate of Princeton University, where he majored in mathematics. In 1931 he went with the actuarial department of Prudential for nearly 12 years, during which he was assigned to a variety of duties in practically all branches of the actuarial work of the company. In 1943 he became assistant actuary of the Association of Life Insurance Presidents in New York, and was with that organization when it reorganized as the Life Insurance Association of America in 1944. In 1945 he became actuary. Among other general duties with the association, his work has involved various group insurance and social security matters.

Albert Pike, Jr.

amount of what is essentially individual type rather than group type accident and health insurance. Good arguments have been made for this use of the group insurance idea, but it is significant, as evidence that group insurance has come to mean insured employe benefit programs rather than a new sales method of placing large amounts of individual coverage, that of the six largest group-writing companies each writing group accident and health insurance and each having over a billion dollars of group life insurance in force, three do not even do an individual accident and health insurance business.

A life company entering the group insurance field is therefore immediately faced with the practical necessity of insuring whole employe benefit plans, which means selling group accident and health insurance in addition to group life insurance. Of the first 25 group life insurance companies, accounting for over 98% of all group life insurance in force in the United States and Canada, all but seven do a group accident and health insurance business. All of the first ten, accounting for over 90% of all group life insurance, sell group accident and health insurance. On the other side of the picture, a casualty company entering the group accident and health insurance field is likely to run up against difficulties in not offering a complete line of employe-benefit-plan coverages. While casualty companies sometimes regard group accident and health insurance as a sort of extension of workmen's compensation into the non-occupational disability field, the fact remains that of the total group accident and health insurance premium income reported by the Spectator Company in its latest "Yearbook," over 88% is accounted for by companies also writing group life insurance.

One of the immediate consequences of the employe-benefit-plan character of group insurance is that its premium rate and dividend structure have been designed to compete in a field where there exists a very considerable amount of self-insurance. There are a number of uninsured employe benefit funds providing disability benefits, and some of the larger employers maintain unfunded employe benefit programs promising a fairly complete variety of benefits. Consequently, to provide the best possible inducement for these cases to purchase the services of an insurance company, both the premium rate structure and dividend structure of group insurance, and particularly with respect to the accident and health lines, have been so arranged as to minimize the dependence of the net cost of a particular group insurance case upon the experience of other group insurance cases. As far as possible, each group insurance case stands on its own financial feet, and its net cost follows closely its own claim and expense experience. There is a considerable degree of pooling of risk among the medium-size and smaller groups, but on groups of all sizes the tendency is to reduce the charge for pooling of the risk to the minimum compatible with the size of case, so that the amounts retained from premiums, over and above claims and dividends, can be justified under a hindsight comparison with the results which might have been obtained through self-insurance. Among other things, this means that an insurance company, whether with a large or a small volume of group insurance, can not afford to make many underwriting mistakes. Group insurance clients, educated to a net cost system depending very largely on their own experience, are loathe to accept a net return which reflects a charge for underwriting losses to which they can argue their own case was never exposed.

As a secondary effect of the dependence of the cost of group accident and health insurance upon a case's own financial experience, it has been possible on groups of any appreciable size to tailor-make the plan of insurance to each employed group's own particular needs, or even to the whims of the employer. While one of the main reasons for the low cost of group insurance coverage is the simplification of its administration, which is often carried to great lengths in the so-called "self-accounting" cases, many group companies have outstanding a complex variety of group accident and health insurance policy forms, each with a large number of blank spaces to be filled in various ways, which would be unthinkable for individual coverage. Home office administrative personnel often have their own particular group cases in whose details they are specialists.

Furthermore, claim administration is conducted practically without dispute, and under policy forms which seldom contain restrictive clauses other than excep-

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tions for workmen's compensation claims. No medical examination is required to be insured, and no exclusions are made for disabilities arising out of pre-existing conditions, bringing the benefits of the insurance to "uninsurables" who in a sense need the coverage the most. All this fits in extremely nicely with the underlying purpose for which most group accident and health insurance is sold—to work out and insure that particular employe benefit program which will best suit the needs of the particular group of employes and will help establish good employer-employe relations.

THERE are thus three separate types of sickness compensation measures which have been seriously proposed — the Rhode Island or monopolistic state fund type, the New Jersey or all-private coverage type, and the California or mixed type. Each has its own advocates where sickness compensation legislation is being considered, although one would have to search far and wide to find an insurance man who prefers the Rhode Island plan. As between the New Jersey and California plans, there is considerable argument. The California plan puts the state into the insurance business, or the next thing to it, with all which that implies; there may also be difficulty in mixing the radically different methods of a state plan operating on a flat, undifferentiated rate of tax (assuming no experience-rating provisions) with the method of private companies charging a premium commensurate with the risk. The New Jersey plan, on the other hand, runs into certain difficulties, although not insurmountable ones, in insuring very small employed groups; it is also by no means as free from the philosophy and consequences of government operated insurance as some of its advocates contend. As yet it is much too early to reach any definite conclusions. This much, however, seems clear: The whole movement would be much better grounded from the point of view of all concerned if employers participated with employes in the cost of the programs and were thereby entitled to more responsibility in formulating the legislation. Many of the difficulties of the California plan would be done away with if an experience-rated employer contribution were required.

IF one is inclined to worry about all the clouds in the accident and health insurance sky, he will also be concerned over the hospital and medical care phases of the compulsory insurance movement. However, legislation in this field is probably not as imminent as sickness compensation, even considering the current proposals in California and Hawaii. Suffice it to say that such proposals have an element of about one-tenth insurance and about nine-tenths reorganization of the practice of medicine, and are regarded accordingly.

All the serious problems of group accident and health insurance are by no means confined to the compulsory insurance field. Voluntary group accident and health insurance has issues all its own, particularly in the medical and surgical insurance lines. As is well known, the medical profession, which does much charity work, does not generally charge persons in the lower and middle-income brackets as much as the well-to-do for the same services. However, the receipt of claim payments from an insurance company obviously increases one's "ability to pay". As the group medical and surgical care coverages grow in volume it will become more and more imperative to maintain a close liaison between the insurance business and the medical profession to see that the over-all cost of medical care is not increased through the widespread use of group insurance. Fortunately, there is at present no evidence of such a tendency. Incidentally, one of the principal arguments presented against compulsory health insurance is that it would almost certainly increase, rather than reduce as some advocates contend, the country's total medical bills.

The above are, however, fairly much side issues. The first problem facing the group accident and health insurance business is the continued improvement of the coverages it offers, so that the needs and desires of the insuring public continue to be adequately met. Really complete protection against all the expenses and loss of income incident to disability often runs up against the barrier of cost and the necessity for underwriting safeguards, yet experimentation with the right kinds of groups having the right kind of employer interest will be sure to yield dividends. Group hospitalization insurance might be improved by having more inclusive features, and provision for continuation of insurance after leaving the employed group might find favor with the public. Nursing care benefits and out-of-hospital medical care benefits have been successfully underwritten with respect to the excess of costs over a relatively small amount for each disability. Experimentation of this forward-looking variety will go a long way toward assuring that group insurance will continue to be adaptable to all the needs of employe benefit plans.

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The Future of Annuities

They constitute great and socially significant industry in themselves but are fraught with hazards

BY H. H. JACKSON

THE amazing longevity of annuitants was proverbial even in Byron's day. I should hesitate to quote again his celebrated verses in "Don Juan," Canto II, vv. 512ff., were it not for the fact that more than one intelligent person has indicated clearly that an allusion to the passage quite eluded him:

> "'Tis said that persons living on
> annuities
> Are longer lived than others,—
> God knows why,
> Unless to plague the grantors,—
> yet so true it is,
> That some I really think, do
> never die."

To the best of my knowledge and belief, all subsequent experience on the part of grantors of annuities from 1819 until today has tended to emphasize the validity of this bit of proverbial philosophy. Meantime, the number of annuitants has increased enormously. Thus we appear to be running into one of those cycles, vicious or virtuous according to the point of view, whereby more and more people buy more and more annuities because people live longer and longer, and people live longer and longer because they buy more and more annuities. The time may come when an annuitant will refer quite casually to the death of some friend unblessed with annuity income, with the clear implication that he himself (more likely she herself), like one of Dickens' delightful characters, is "notoriously immortal."

Since I am supposed to be discussing annuities from an actuarial point of view, it is probably very vile of me to begin with this reference to what some may perhaps regard as little more than a popular fallacy. However, although it is not my purpose to present new facts and figures relating to annuities and annuitants, the old facts and figures at every actuary's disposal amply confirm this assertion: The determination of an appropriate charge for providing to a specified person a life income of a periodic fixed amount presents to insurance companies a problem of serious complexity and actual hazard, and any attempt to guarantee annuity rates available at distant future dates is nothing short of perilous.

THE social importance of the annuity is obviously dependent on the form of society. In a pioneer age with an open frontier and a vigorous population still in its gristle (as Burke happily described colonial America), the household tends to be highly self-sustaining and highly self-reliant. The aged (if there are any) are provided for by their progeny, so that, to tamper with a familiar—and very wise—dictum, "He that hath wife and children hath taken hostages from fortune." Such a man has actually provided himself with prospective old-age security.

This explains why Great Britain, which reached something approaching a stabilized population many generations ahead of the United States, was deeply annuity-conscious long before the annuity was even seriously considered in America. Indeed, the very word annuity, so common in English literature for at least two centuries, is seldom encountered in American letters before our own time.

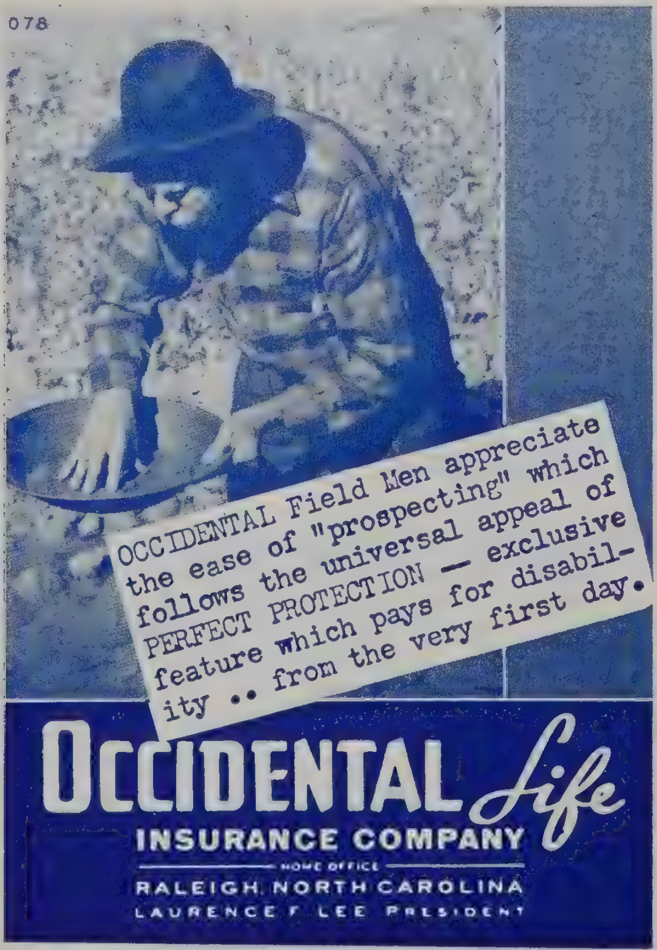
But the whirligig of time brings in its revenges. Our own population now approaches stabilization. The proportion of members in the higher-age brackets has vastly increased. Our frontiers in the physical sense have been officially declared closed, however colossal may be the frontiers scientific, intellectual, and moral that still loom before us. Furthermore, through liquidation of so many deterrents to longevity, even the present high proportion of inhabitants in the upper-age brackets bids fair to rise considerably higher.

In a recent year it was roughly estimated that insurance companies on this continent made payments to annuitants of close to $200 million and guaranteed the performance of all annuity contracts outstanding by reserves approaching $3 billion. Closer calculations would be valueless, since within a few years any possible exaggeration of such estimates seems bound to lag far behind the facts.

It may fairly be taken for granted, then, that in the modern age and the American economy the granting of annuities has become a major industry. How is this statement to be reconciled with my assertion that the establishment of satisfactory annuity rates even for a given brief period is a ticklish business and that the guarantee of rates for some indefinite future time is perilous in the extreme? Certainly the first problem has been met tactfully and, on the whole, successfully, by British and American actuaries for generations. By successfully I mean that the annuitants have enjoyed exemplary security in income payments, which is another way of saying that the companies issuing annuities have not gone bankrupt; whereas, the issuing companies have been able to perform their guarantees practically at cost.

I am referring, of course, to immediate annuities, for which the fixing of appropriate rates might seem at first blush to be child's play. The actuary has but to establish three simple assumptions and make quite easy computations based thereon. The assumptions relate to the rate of mortality to be experienced, the net rate of interest to be earned, and the reasonable cost of conducting the business. Since such contracts are purchased in general at fairly advanced ages, their average duration will be relatively brief and the funds required to guarantee future payments, that is, the reserves on the contracts still outstanding, will diminish rapidly for any closed block of business. In an unchanging world, no problem involving life contingencies could be more readily solved within rather modest limits of error. It should be much simpler than guaranteeing to provide one hundred bushels of potatoes per annum for the next ten years in consideration of the immediate designated payment.

OF course the crux of the problem lies in the fact that the rates of mortality among annuitants are not stabilized, the trend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of interest rates in recent years has been consistently downward, and the cost of everything from "life savers" to a "hair-do" shows alarming tendencies to increase. If rates were based on the worst possible trends even within a brief span of years, like 20, annuity prices would be prohibitive. If the adverse trends, on the other hand, were entirely ignored, very serious losses which might even involve loss of security to the annuitants themselves would be entirely possible. Thus far, actuaries have managed to steer a safe course between Scylla and Charybdis, but the fact should blind nobody to the dangers of the voyage.

In reality, even with so simple a type as the immediate life annuity the issuing company is incessantly beset by two major problems: To make sure that rates currently charged are adequate but not absurdly redundant; and to make sure that reserves maintained for the performance of all outstanding annuity obligations are kept on a soundly conservative basis. This second obligation must be met even if it means a transfer from time to time of contingency funds to annuity reserves. The first is more readily met, since a change in annuity considerations can be made effective promptly whenever conditions warrant.

But it is no easy matter to establish the adequacy of reserves running into many millions of dollars in a single company. That the life insurance companies on this continent are keeping constantly in mind the importance of this strengthening of reserves is sufficiently indicated by the fact that in two recent years American companies strengthened annuity reserves to just about $125 million which is roughly equivalent to the annuity losses according to the gain and loss exhibits for the same period. This is merely another way of saying that companies have consistently provided against future losses by adopting more conservative assumptions in conformity with interest and mortality trends, instead of lulling themselves into a false sense of security by feeling that for the moment annuity losses appear to be inconsequential. It is not how things are going this year but how they will go over the years to come that makes any sense in connection with reserves on annuities.

In these elaborate estimates of things to come, the major factors in the annuity section of the company's business are obviously interest trends and annuitant mortality. All of us have read elaborate treatises on interest trends and I have no wish to add another to the inordinate volume already extant. For the purpose now under discussion it may be enough to say that, in view of current returns available on government bonds at rates established to keep within reason the servicing of our stupendous federal debt, an actuary would be rash indeed to count on an early upward trend in the rate of interest available on thoroughly sound securities.

CONCERNING mortality among annuitants, volumes have already been written, and even an attempt to summarize conclusions here would be tedious and no doubt unrewarding to the casual reader. Since, however, this is the most troublesome of all the problems to be dealt with, a cursory survey of the field is obligatory. It is a field in which almost every possible mistake has been made throughout the centuries. And when very intelligent men have spent incredible toil, running down errors of the past, it would be presumptuous to suppose that no errors still lurk in present practices to engage the diligence of intelligent men still to follow.

The grossest error was the early one of assuming that a mortality table which had been proved to be abundantly conservative, indeed, redundant, for the issue of participating life insurance contracts could be a proper basis for the computation of immediate annuities. Yet the British government did just that. It took Finlaison years of toil to demonstrate the fallacy, and of even more strenuous toil to convince a reluctant Parliament that government annuity rates were utterly unsound and were fraught with enormous future loss.

Another easy trap for the unwary was the assumption that a mortality table which did accurately represent death rates in the general population was suitable to base annuity rates on, without recognizing that annuitants form a special class and produce far lighter than average mortality.

Even when the mortality experience of American companies granting annuities had been scientifically studied by McClintock at the close of the nineteenth century and his annuity tables had been adopted as a sound valuation standard by the insurance department of New York, McClintock himself felt it necessary to warn the insurance world on two important points. The warning occurs at the conclusion of a paper presented before the Actuarial Society of America in 1909. His words are as valid today:

> "There is no more stringent standard of reserve extant, so far as I am aware, than the standard of mortality now followed by most of the companies of the United States, that of the insurance department of New York. Yet changes must come. Close attention should be given to current experience, as to the need of a change in the standard of reserve. I fear that the existing standard at 3½% is even more insufficient as a guide for the proper reserves that should be held on the lives of annuitants in the United States and Canada. It is needless to say, though it may as well be repeated, that tables of reserves on annuities are quite inadequate for the computation of net premiums, regardless of

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any question which may be raised regarding annuitants' mortality."

In other words, even the valuation basis for outstanding annuities is not something stable in a changing world, and any table sound for the moment for that purpose is still unsound for the computation of rates on new contracts without sharp modification to provide for the special individual selection bound to be exercised by the purchasers. If, besides, there exists a secular trend toward lighter mortality, the conservative table of one decade may be the inadequate table of the next—and all this even if interest rates assumed conservative when the table is prepared, subsequently show no alarming downward trend!

McClintock was addressing a small body of American actuaries. The volume of annuities in most of the companies they represented was insignificant. In Cincinnati last November, Wilmer A. Jenkins, before a group of hundreds of actuaries representing companies with perfectly enormous stakes in the annuity business—stakes that less than 40 years ago would have seemed incredible to McClintock's little group—explored once more something of the significance in annuitant mortality of individual selection, class selection, and secular trend toward lighter mortality. If medical science can combat the destructive forces operative at the higher ages with a tenth of the success already achieved in the routing of diseases of childhood and early maturity, this secular trend will unquestionably turn out to be the one most important consideration in the establishment of "safe" tables for the computation of annuities. Many a general reader, without being deeply versed in actuarial terms, could, I am sure, get both profit and enjoyment out of reading Mr. Jenkins's paper. Certainly, none need deprive himself of the privilege of reading the delightful conclusion, in which Mr. Jenkins likens the race between actuarial estimates and low annuitant mortality to that of the old fabular hare - and - tortoise match, with the actuary in the unenviable position of resembling the swift, silly, and complacent hare.

So far as immediate annuity rates are concerned, the actuaries of the English-speaking world have been neither silly nor complacent. They have gone fairly far in forecasting adverse trends in both interest and mortality. Indeed, the publication in Great Britain in 1924 of elaborate tables on "The Mortality of Annuitants" is of the utmost historical significance.

The very fact that annuity rates have been so substantially increased from decade to decade within the memory of all living actuaries should warn anyone, without reference to the excellent treatises on the subject by notable British and American authorities, that it is a far more perilous thing to guarantee future annuity rates than to establish immediate annuity rates today. Yet this is the one place where, in my opinion, company practice throughout the United States is most seriously at fault. Every insurance policy which provides that the proceeds may be paid to the beneficiary on election in a specified income according to attained age at date of claim represents such a guarantee of annuity rates, and thus far the actuaries have been conspicuously less successful in persuading their managements of the inherent dangers than they have been in establishing presumably safe bases for the sale of immediate annuities.

Doubtless it was a genuine improvement in life insurance service when the investment facilities of the companies were made available through settlement options to beneficiaries, and to policyholders themselves, in connection with matured endowments or surrender values of old policies. But if the settlements so offered had been without basic guarantee, with assurance that from year to year the payments would be as generous as the earnings of the company then made feasible, it would appear that companies were doing all that could be consistent with both safety and honor.

To guarantee, instead, that a fairly high fixed rate of interest—very high in comparison with the returns available today from funds left at interest in savings institutions—would be payable as a minimum seems a trifle absurd. To guarantee, further, an income for life, based on that same rate of interest and on mortality assumptions actually less conservative than those being employed for immediate annuities at the time the insurance contract was issued, savors of imbecility. The utmost come not less generous than that that could have been safely promised would appear to be a life in-

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Henry H. Jackson, a native of Barre, Vermont, graduated from Yale. His first ten years out of college were devoted to education in Vermont. Resigning the principalship of his home town high school, he entered the actuarial department of National Life in 1918. He has pursued with enthusiasm studies relating to actuarial science, the appraisal of insurance risks, and the many related problems pertaining to insurance principles and practices. Addresses by him may be found in publications of the Actuarial Society of America, American Institute of Actuaries, of which he is past president; Casualty Actuarial Society; International Congress of Actuaries; Home Office Life Underwriters' Association, of which he is past president; Life Office Management Association, Life Insurance Association of America, and other organizations devoted to the establishment of sound insurance ideals.

H. H. Jackson

come not less generous than that available to the public at date of claim, with a modest allowance for any savings that can be effected in comparison with new issues.

SETTLEMENT option privileges are so thoroughly established in connection with American life insurance that few in the business would wish to see them eliminated. In order that they may not have to be eliminated to preserve the solvency of the companies, it behooves the actuaries of America to see to it that they are placed on a basis which, while giving fair treatment to beneficiaries, will not impose an intolerable burden, through heavy future annuity losses, on the great body of premium-paying policyholders.

In what form such guarantees can be made with safety is still a matter of debate. I have indicated the only one which seems to me sound beyond peradventure. Instead, elaborate tables might be formulated, one set applicable if the claim arose in the 1950s, another in the 1960s, and so on. Each set of tables would necessarily have subdivisions to provide for distinction as to sex and to provide, further, a sharp distinction between the income available if the option is elected by the beneficiary (that is, with benefit of self-selection) and the more generous income payable if the settlement is prescribed by the insured. Thus a small book of such options would have to be supplied with each life insurance policy issued.

Similar, though different, problems confront the companies concerned with group annuities, with retirement annuities, so-called, with "insurance and income" contracts, and particularly, those companies issuing large volumes of pension trusts which are chiefly composed of insurance policies of the type called endowment annuities. Everything I have tried to hint concerning the hazards of the annuity business applies with due force to these special types involving life income settlements. This is not the time to discuss these problems individually. If I have established the point that annuities of all forms now constitute a great industry in themselves, full of deep social significance and value but fraught with hazards which all actuaries and all insurance executives are under vital obligation to consider, I have said enough.

Field Messages

When a policyholder hesitates about continuing his insurance, do you ever suggest to him that he recall his associates of ten years before, see how many are living, how many are prosperous and to how many adversity or hardship have come? It usually opens a man's eyes when he dwells upon these matters in a thoughtful way * * *. Stubborn opinions are hard to overcome. * * * The question is always before agents of how best to defeat the many common reasons for delay, which calls for much originality and abundant tact. Seek constantly for some new way of meeting this frequent excuse. If "times are bad" or "business is poor", the more is life insurance needed and the more forceful your talk can be.—Union Mutual (Me.) "Bulletin," 1908.

Hard work is the shortest pathway to success. The business of life insurance is no different from any other in this respect. Straight, earnest and constant effort tells, the same as everywhere else. Inability to secure the money is quite as often due to insufficient endeavor as to any other cause. People have never been educated to apply for life insurance of their own accord, or scarcely to pay the premiums on policies possessed unless reminded of them. Often vigorous and several reminders are necessary, too. Much of this may be due to the ways in which the business has been transacted in the years that are gone, but, at any rate, the practice has become so common there is no other course than to recognize and conquer the conditions as they are, rather than to complain of them as unusual, difficult or not businesslike.—Union Mutual (Me.) "Bulletin", 1909.

Often the fault lies with the canvassing man himself, — he doesn't carry around so heavy a package of inspiration as he ought, he omits to put on the pressure at the moment which will secure the dotted line signature. Perhaps, also, he grows dull in activity. Much is being said in these days of the value of systematic interviews, and the glad results that accrue from such a plan of talking earnestly with not less than six people every day regarding life insurance. It is not so difficult an idea to carry out as one might at first imagine, and it is practically certain to bring applications in better numbers than when no particular thought is given to canvassing, provided the interviews are devoted genuinely to business and are crowded with persuasive arguments.—Union Mutual (Me.) "Bulletin", 1910.

Energy in itself will not give success. Good planning must go with it—the ability to lay out the day's work in such a way as will prevent the loss of time or effort. Did you ever consider how many minutes and hours are wasted by those who are not thoughtful in their methods! One thoroughly desirable and efficient way of economizing time is by securing the first premium when the application is signed. Every agent is always anxious to do this, but he usually hesitates to emphasize to the applicant that it is the better plan, in consequence of which a further call is necessary when the policy is at hand, with the possibility of having to go all through the proposition again. This time can all be saved for other use when settlement is secured with the application.—Union Mutual (Me.) "Bulletin", 1912.

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Half a Century of Reinsurance

BY A. R. WILLIAM WANG

WHILE the history of direct insurance of the various major classes offers a good deal of more or less accurate detail, some of them reaching back into the days of antiquity, that of reinsurance is not nearly as clear. It is, of course, known that the practice of reinsuring was a common feature of the early operations of Lloyds. Such rather adventurous operations as the reinsurance of overdue marine risks are known to have been effected even in the early days of the famous Coffee House, although for a long period of time, for some reason rather difficult to understand for us moderns, marine reinsurance was actually forbidden by law in England except in certain specifically mentioned cases.

The reason there is a certain lack of detail in regard to the reinsurance business right up to the latter part of the 19th century seems to me to be largely due to the fact that the business was not specialized, but that it was done altogether by direct writing companies to whom the reinsurance business was a side line and only of secondary importance to the company's own production. However that may be, as long as most reinsurance was done by faculative cessions between direct writing companies the business of reinsurance can hardly be said to have led a recognized independent existence, and it was really only during the second half of the 19th century that even in Europe companies were organized to engage principally in indirect business. Some of these European companies, such as the Munich and Swiss Reinsurance, obtained positions of tremendous importance in the field throughout the world and they became heavily engaged also in the American market.

By and large I think it may be said that, as in insurance itself, foreign interests took the lead as reinsurers in the United States. Just why this was so is a matter for speculation but the probability seems, at least to me, to be that the United States was in a big era of expansion which called for the influx of foreign money, a monetary process which now has been reversed. The fact is that there was no reinsurance company organized in the United States with American money until well into the 20th century.

The first exclusive reinsurance carrier starting business in the United States was a German company named the First Bavarian Reinsurance Bank, which entered this country in 1899 but which did not really take time to get under way before it suddenly decided that it was too far from home and precipitately withdrew from the market. The second one to appear on the stage was the Russian Salamandra Insurance Company of St. Petersburg, one of the really great companies in Europe, not only in its home country, Russia, but throughout the European continent. This company operated in the American fire reinsurance market for a number of years and had an exceptionally successful career. It had to weather a very large loss in the San Francisco conflagration which, however, was made up in short order by excellent earnings. Shortly afterward another very large Russian company, Rossia, also entered the United States and had, if anything, an even more spectacular development than the Salamandra. Later on other Russian companies, such as the Second Russian and Jakor, also entered the United States and it is very likely that these companies would have continued their strong position in the market if it hadn't been for the first World War and the subsequent Russian revolution which brought about entirely new alignments in the reinsurance field.

DURING all the years up to the first World War no serious effort was made to interest American capital in reinsurance business. There is, as far as I know, no record of any such effort, and if it was made it met with no success. An American company was formed in 1909, the International, but the money was provided by German interests and it was only in 1918, after the company had been taken over by the alien property custodian, that it was acquired by American interests and thus became a truly American company. It has been eminently successful under American ownership ever since. During the early years of the century German companies were also very active in the reinsurance field but most of them were also entered for direct business and so do not really form a true part of the picture if we contemplate the specialized reinsurance business.

After the outbreak of the first World War the strong Russian companies had to undergo drastic changes to comply with the altered conditions prevailing. A new company was incorporated in 1915 in Hartford, under the name of the Rossia to take over the United States branch of the Russian Rossia, thus giving it the character of a domestic company, and this organization has been in active operation ever since, in recent years under the title of Northeastern. The other big Russian company, the Salamandra, continued to operate as a Russian company until 1917. In that year a new company was organized in Copenhagen by interests associated with the management of the old Russian Salamandra, designed to take over the business of the Russian company outside of Russia. This new company was called the Reinsurance Company Salamandra, thus emphasizing that it was exclusively doing an indirect business, and it entered its own United States branch in the same year of 1917 and all business of the old Russian Salamandra's American branch was turned over to the new branch of the Danish company. It is interesting to note that these companies, coming as they did from a far away country like Russia, were aggressive enough to venture so far on such a large scale. Having had personal contact with a good many of them I can, I believe, testify that it was something more than coincidence, because they were people of ability, vision and enterprise. Most of them were driven out of Russia by the revolution and although many of them, of course, have passed away during the 30 years of exile, there are still a great many who are active on the European continent.

The history of the foreign contribution to the business would not be complete without stating that French, Swiss, Spanish and Scandinavian companies have and still are doing business in this market. Some of them, and this applies in particular to the Scandinavian, entered the United States during the first World War, at least in part induced by the foreign exchange situation, which was strongly favoring such a transaction. During the second World War several of these companies, whose head offices were domiciled in occupied territory, were reincorporated as American companies and have thus been able to carry on without interruption although still owned by foreign interests. For all practical purposes they have a standing equal to that of the American companies, which speaks well both for the open-minded attitude of the customers and the character of the management which these foreign owned companies enjoy.

FROM the time of the first World War and throughout the 1920s some American companies were organized, not only in the fire reinsurance field but also in the casualty business. It would take too much space to trace the history of these companies individually because some of them are results of mergers and some were United States branches of foreign companies which were reorganized in the United States as domestic companies. Some of these companies started in the 1920s have had to face, besides the ordinary hazards of their occupation, the depression from 1929 through the better part of the 1930s and after that the distressing times of the second World War and so they have had anything but a simple and easy period of adolescence. It must be said, however, that they have weathered things fairly well and they should be in a good position to take advantage of more stable conditions if such are in the offing.

As far as the basic character of the business is concerned, it has not changed as much since the turn of the century as might appear on the surface. It is true that treaties have been to some extent streamlined. Many of them have been improved by greater clarity of expression and also by eliminating injustices due to mossgrown stipulations which had nothing but old age as an excuse for their existence. A great deal of work has been done to put profit-sharing on a fair and square basis. However, the basic need is the thing that in the final analysis lays down its dictate and such has been the case wth reinsurance. As a first line of defense one has to have automatic coverage, whether it be fire or casualty. In fire insurance most reinsurance is on a pro rata and fully participating basis because that basis does, to a large extent, take care of a good deal of cumulative commitments in the way of block liability and conflagration hazard, not to mention such things as hurricanes. In many of the casualty lines the need for automatic coverage is the same, but the possibilities of cumulative hazards are virtually non-existent and it is therefore quite natural that reinsurance is largely written on an excess of loss basis. The number of casualty reinsurers is therefore very small, and although they write an impressive enough amount of premiums their growth does not begin to tell the story of the growth of the casualty business itself.

A. R. William Wang, native of Norway, has been active in insurance and reinsurance in his native country, Germany, England, and in the United States since 1919. From 1925 to 1945 he has been vice-president of North Star, which he was instrumental in organizing. He has written a number of papers on reinsurance and has done some lecturing on the subject. He is orthodox in matters relating to economics.

A. R. W. Wang

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The office of Allan Wolff of Chicago might well be called the Chicago branch office of the National Association of Insurance Agents. Mr. Wolff has a beautiful office desk that was presented to him when he retired as National Association president. Association leaders from over the country go there to read insurance papers, dictate letters and receive mail. They regard it as part of the National association facilities.

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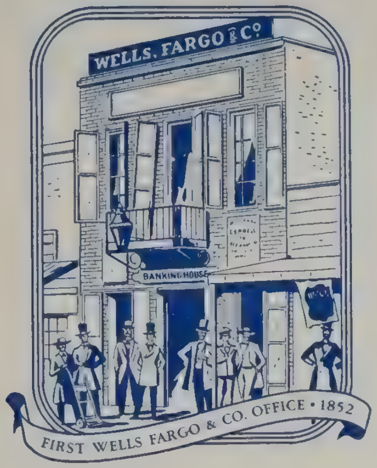
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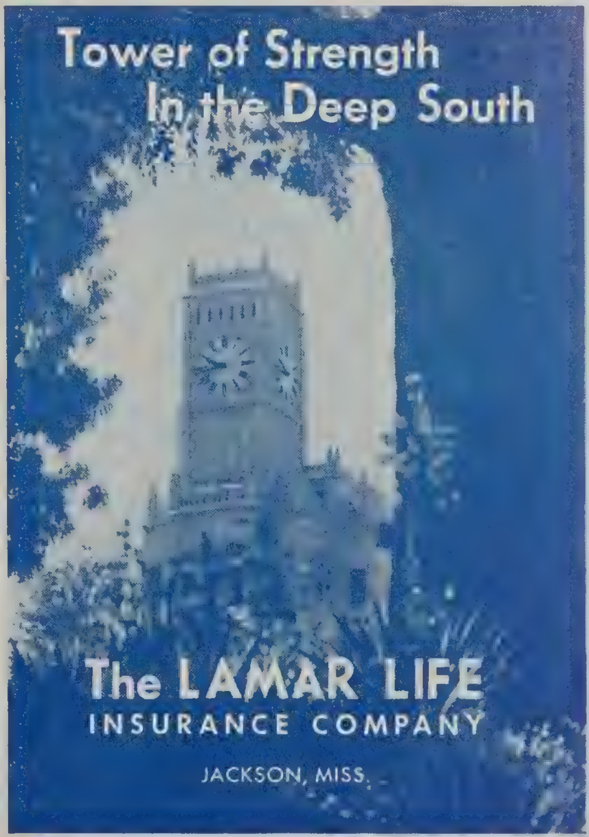

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Total Assets	9,007,715.40	8.12%
Total Liabilities including Funds held for Policyholders	8,204,326.56	7.23%
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So we salute and felicitate The National Underwriter Company on reaching its 50th birthday. A half century is a long time. We know.

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The National Underwriter
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EMPLOYERS
INSURANCE CO. of ALA.
has paid
20%
DIVIDENDS TO
POLICYHOLDERS ON
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25 Years of Service and Growth

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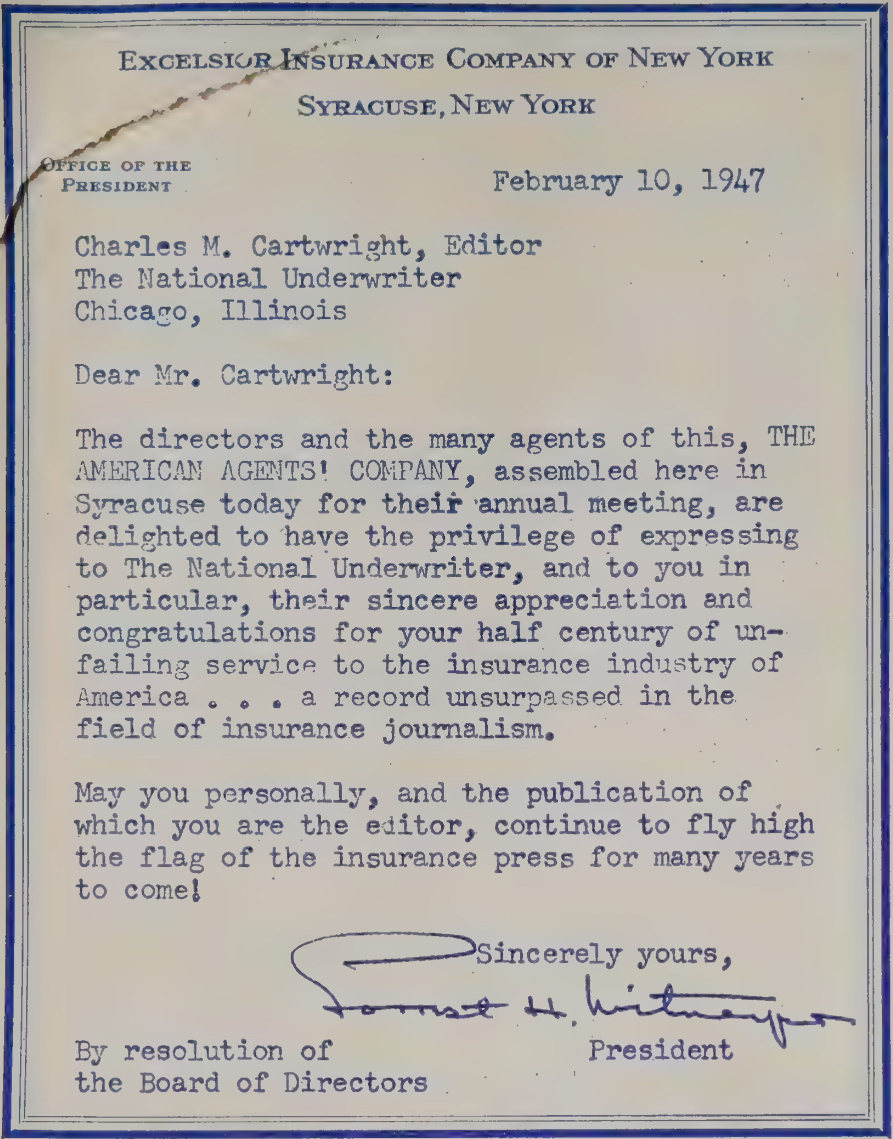
◆ ◆

Paul Clement, Sec'y.
Minnesota Commercial Men's Ass'n.
Minneapolis, Minnesota



EXCELSIOR INSURANCE COMPANY OF NEW YORK
SYRACUSE, NEW YORK

OFFICE OF THE
PRESIDENT

February 10, 1947

Charles M. Cartwright, Editor
The National Underwriter
Chicago, Illinois

Dear Mr. Cartwright:

The directors and the many agents of this, THE AMERICAN AGENTS' COMPANY, assembled here in Syracuse today for their annual meeting, are delighted to have the privilege of expressing to The National Underwriter, and to you in particular, their sincere appreciation and congratulations for your half century of unfailing service to the insurance industry of America . . . a record unsurpassed in the field of insurance journalism.

May you personally, and the publication of which you are the editor, continue to fly high the flag of the insurance press for many years to come!

Sincerely yours,

Forrest H. Witmeyer
President

By resolution of
the Board of Directors

1919 1947

WILSON SCOTT LEVENS AND ASSOCIATES

INDEPENDENT ADJUSTERS

CHICAGO, ILLINOIS

CHARLES M. CARTWRIGHT, EDITOR
THE NATIONAL UNDERWRITER

We salute you upon your completion of fifty successful years as one of this country's outstanding insurance journalists. Congratulations to you and the National Underwriter, and as you both begin your second half century together you have our best wishes for many more years of happy and useful association.

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Adjuster - Chicago

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CONGRATULATIONS
AND BEST WISHES
TO C. M. CARTWRIGHT
AND THE NATIONAL
UNDERWRITER COMPANY
ON ITS 50th ANNIVERSARY

◆

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of Bloomington, Illinois

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For 50 years my good friend C. M. CARTWRIGHT has been an outstanding National Figure in an effort to improve conduct of the insurance business and to gain for it greater Public Confidence

It gives me great pleasure to add my congratulations to those of his many friends.

FRANK L. ERION

Chicago

"Agency Bulletin"

BY H. H. PUTMAN

SIXTY-ONE years ago, I answered an advertisement of the "Standard" of Boston, New England's insurance journal, and after an interview with Colonel Ransome was put on as a reporter. I was about 25 when I became the editor, the position I occupied at the time the National Association of Insurance Agents was formed in 1896. Naturally we all looked upon this new movement with great interest and wondered how far it would go and what it would mean. We knew of course, that the agency business was an integral part of fire insurance (the casualty business had not become prominent at that time). At the same time competitive factors were growing up that seemed to endanger the rights and privileges of the local agent. It was not until three years later that a growing desire on my part to analyze and freely express views on insurance problems led me to resign as editor of the "Standard" and begin the publication of the "Journal of Insurance Economics."

The National association was then engaged in its initial campaign to protect local agents against overhead writing, and I began at once to discuss in detail the issues which were being presented by the agents to their companies. This was in May, 1899. I took a friendly attitude toward the organization and its aims, but ventured to make some suggestions relating to policies to be followed. It seemed to attract very favorable attention among leading agents, particularly those responsible for the conduct of the association. In the succeeding numbers, June and July, the question was further discussed with equal frankness. In the meantime I had planned to attend the annual meeting of the association at Buffalo and upon arrival, much to my surprise, found that the officers were looking for me to join with them in a meeting where these problems were discussed.

This was the beginning, not only of my contact with the association but with a group of journalists who in spite of a lot of criticism stood by me. Within this group were Young Allison and "Champ" Hitchcock of the "Insurance Field"; C. M. Cartwright of The National Underwriter; Clarence Axman of the "Eastern Underwriter"; William S. Crawford of the "Journal of Commerce"; and "Cy" Drew of the "Insurance Reporter."

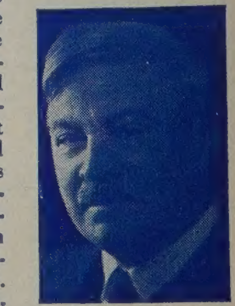
As a result of my contact with the association officials at Buffalo, they later took up with me in 1903 the question of issuing an association newspaper. This resulted in an offer on my part to start such a publication for them provided some of the association leaders would put up enough money to cover the cost of printing until the subscriptions were sufficient.

It was agreed that I was to devote the necessary time to editing and supervising the printing. The first issue of the "Bulletin" appeared in June, 1903. Instead of proving a temporary job for me the "Bulletin" became a permanent one. Along with the issue of overhead writing came up the tremendous legal fight relative to the ownership of agents' expirations, finally terminating in favor of the agents and accepted quite generally by the companies.

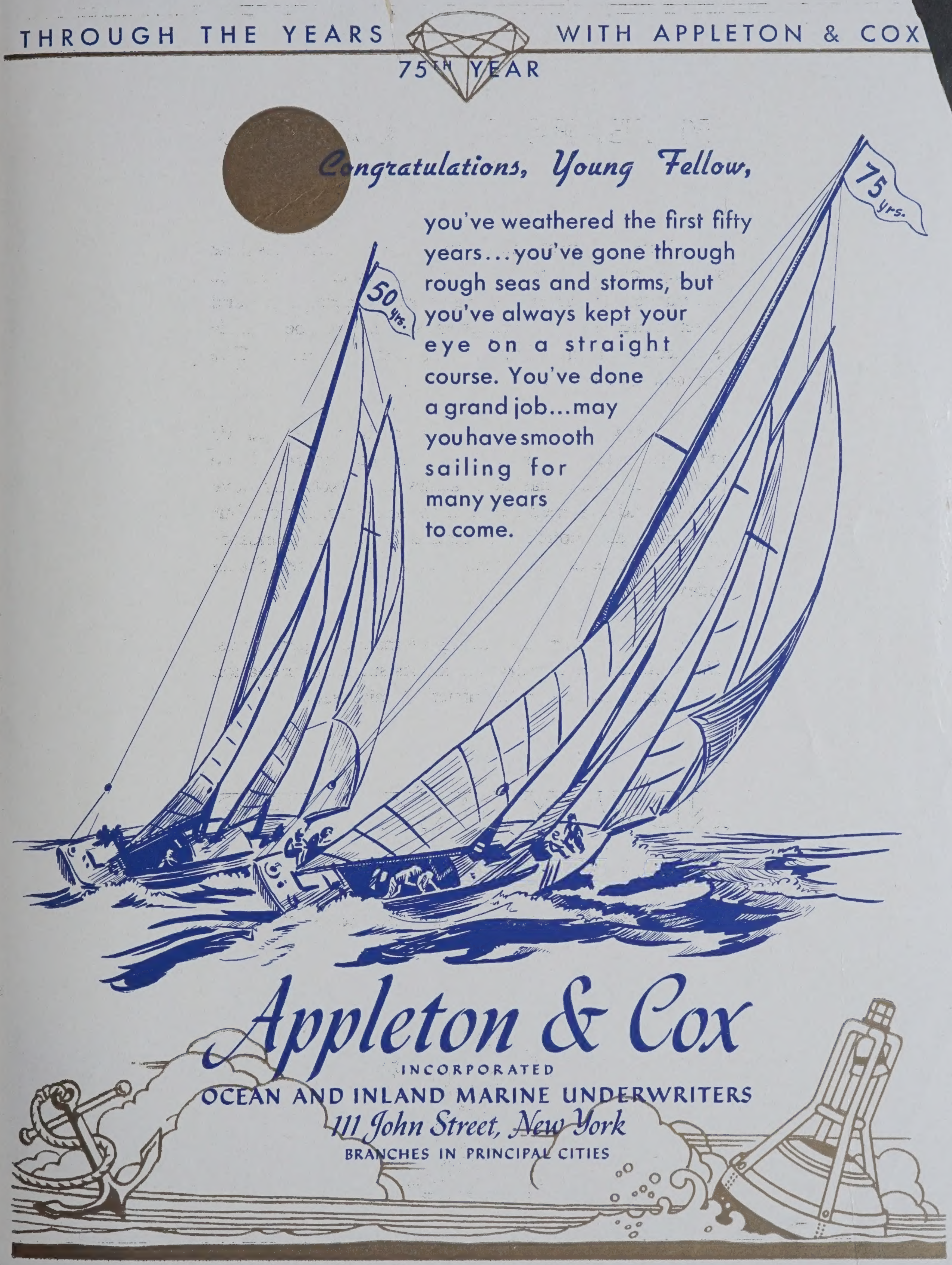
FRANK HOLMES, Chicago agent, had served as association secretary for some years, and in 1904 at the St. Louis convention declined reelection. My good friends pumped me for the position. I accepted, believing then that it was only temporary, like the "Bulletin" job. But no, I got so bound up in the work that it was carried on by me without pay until September, 1907, when at the Richmond convention a full time job was voted at a fixed salary.

So that's how an insurance journalist became executive secretary, and for the next ten years worked at an interesting, exciting and constructive job for local agents. It was a tremendously busy period, in and away from Boston headquarters. The whole country was covered in travel and visits from Canada to the Gulf, from the Atlantic to the Pacific.

To one person, Woodworth of Buffalo, above all others we owed the life and vitality of the association from its first meeting in Chicago to the one in 1918 in Chicago, when the Woodworth leadership was taken over by younger men. They had a solid foundation, and well they have built on it. To their leadership is due the great growth and eminent position occupied by the association in the 50th year of its history.


H. H. Putnam

Henry H. Putnam had his early experience as an editorial writer for the "Standard" of Boston. He established the "Journal of Insurance Economics" at Boston. The National Association of Insurance Agents had just come into being and some of the articles in Mr. Putnam's paper attracted the attention of leaders in the agency organization, especially C. H. Woodworth. Mr. Putnam was asked to have an interview with a few of the leaders and he was employed as secretary. His publication later was merged with the "Eastern Underwriter."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